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National Home Center News®

Vol. 11, No. 9 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. April 22, 1985

UBM sells chain back to Neiman

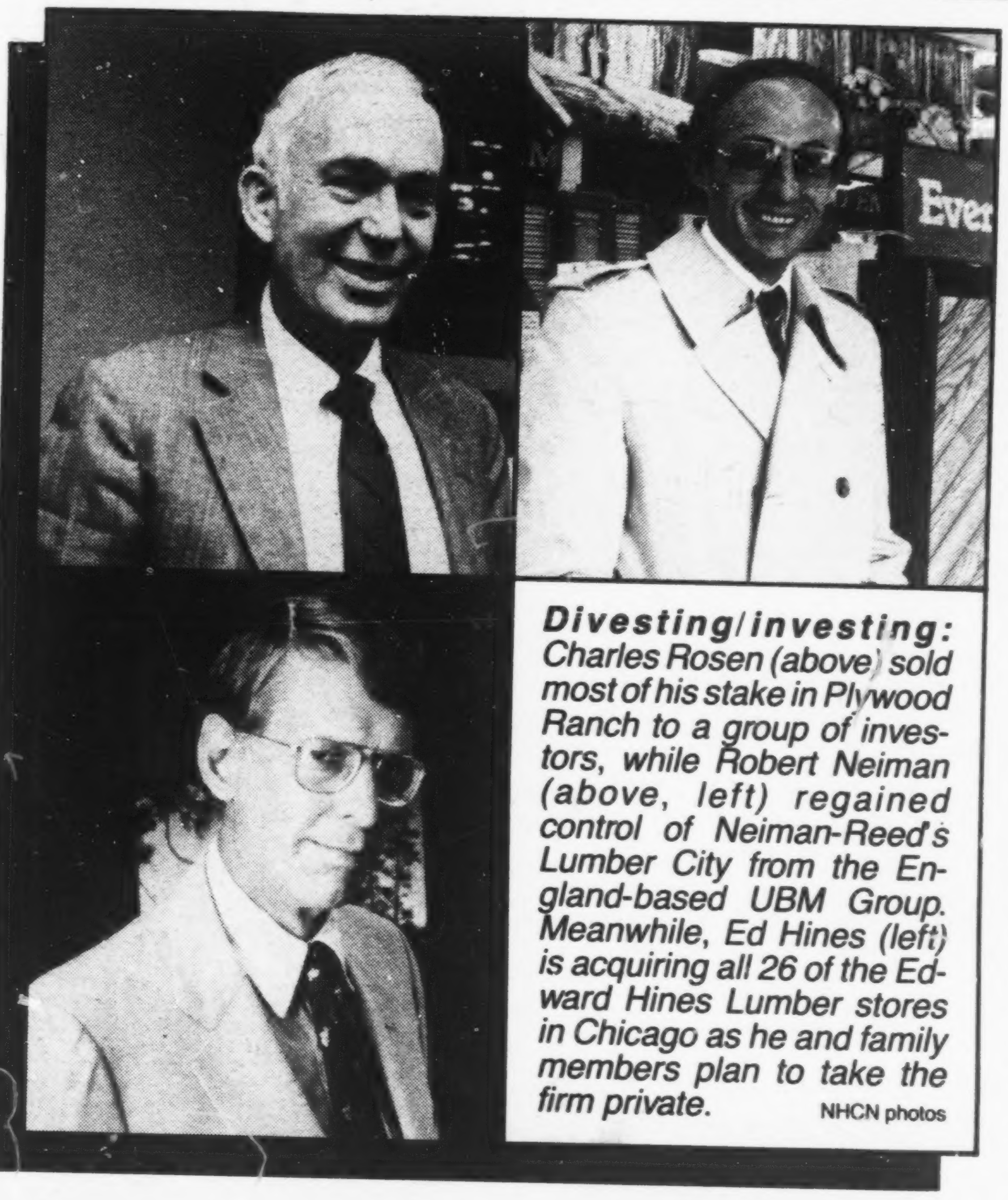
By Brad Altman
NHCN associate editor

VAN NUYS, Calif. — UBM Group Ltd. of Bristol, England, has sold its majority ownership in 12-unit Neiman-Reed's Lumber City to a group of investors headed by Lumber City chairman and co-founder Robert Neiman.

Neiman's group paid $6.25 million for UBM's 51% ownership share, meaning he and his investors now own the privately held company which is 39 years old.

UBM has held majority ownership in Lumber City since 1981. A July 1986 deadline was nearing before which UBM could exercise its option to buy out the remaining 49% of the company held by Neiman's

(Continued on page 83)



Divesting/investing: *Charles Rosen (above) sold most of his stake in Plywood Ranch to a group of investors, while Robert Neiman (above, left) regained control of Neiman-Reed's Lumber City from the England-based UBM Group. Meanwhile, Ed Hines (left) is acquiring all 26 of the Edward Hines Lumber stores in Chicago as he and family members plan to take the firm private.* NHCN photos

Rosen sells 80% of Plywood Ranch to investor group

By Ronald R. Gurczynski
NHCN associate editor

BRAINTREE, Mass. —Plywood Ranch, the troubled 12-store home center chain based here, was sold late last month to a small group of private investors.

Charles Rosen, owner of the company which now operates 10 company-owned stores and two franchised units, sold 80% of his stake in Plywood Ranch to two, out-of-state businessmen from outside of the industry.

Bob Capron, merchandising head at Plywood Ranch, said the new owners bought the ailing chain with the express intention of turning it around and aggressively expanding the number of stores. However, one Plywood Ranch store manager said that expansion of the chain was one of a bank's requirements in order for the buyout to proceed. While Capron did not comment on this, he did say Plywood Ranch will open a new store "very soon and we intend to open another 10 to 15 stores as early as possible."

The deal to sell Plywood Ranch was closed in late March and an extensive check of the company's inventory was conducted over the weekend of March 30-31. Final sales papers were scheduled to be signed on Friday morning, April 5.

Sources close to the company said that after the sale, Rosen would become chairman of the

(Continued on page 83)

Ed Hines taking company private; family acquiring Chicago stores

By John Caulfield
NHCN senior editor

CHICAGO — Ed Hines, the president and chief executive officer of Edward Hines Lumber Co. here, plans to acquire all 26 of the company's Chicago-based retail stores for an estimated $26 million.

Representing himself and family members, Hines, on April 2, signed a letter of intent to purchase the stores. As payment for the units, the company will redeem 306,568 shares of Hines stock and 477,161 shares of Southern Mineral Co. common stock owned by the Hines family.

These holdings represent 17% of the 1.77 million shares of Hines stock outstanding and 45% of the company's equity stake in Southern Mineral. On April 4, Hines Lumber was trading over-the-counter for $40 per share, and Southern Mineral was going for $6.50 per share, making the total stock exchange worth $15.4 million. The rest of the $26 million is expected to be paid in cash.

The sale is subject to approval by the company's shareholders, and a full proxy statement of the transaction is scheduled to be distributed by the end of the month. Hines said the deal, which also includes the acquisition of a component plant in St. Charles, Ill., should be consummated by July.

Hines Lumber's sale of its Chicago retail units is part of its overall efforts to liquidate all its assets, which include its distribution network, wholesale trading operations, a lumberyard on Chicago's south side, a component plant in Bedford Park, Ill., and the seven store Kindt Corp., a retail chain Hines acquired in April 1984.

Hines Lumber was placed on the block by its management last September when outside shareholders owning 23% of the company's stock complained that the shares were undervalued and demanded that Hines' businesses be sold off (*NHCN*, Oct. 8, 1984).

"I think our buying the stores is a very good solution to the outside shareholder problem," said Ed Hines in a telephone interview with *NHCN*. "Plus, staying in the lumber business is something I want to continue doing."

Hines expected most of the

(Continued on page 83)

Home Shop liquidates Hardware Fair units

By John Caulfield
NHCN senior editor

BALTIMORE — Home Shops Inc. has nearly completed the liquidation of the inventory of all 10 of its Hardware Fair units, and is beginning to sell off these units as part of its first steps out of Chapter 11.

Under the protection of the Bankruptcy Code, Home Shops can "assign" the leases it holds on nine Hardware Fair units to new renters. The proceeds from these transactions can then be allocated for the operational expenses of its other 13 hardware/convenience stores in the Richmond, Va., market. The company owns one Hardware Fair unit, located in Bel Air, Md., which it is attempting to sell.

The Home Shops' has retained the services of a local real estate broker, Trout & Fox, to handle the sale of Hardware Fair, which its parent company, American Shelter Industries (AMSHEL), purchased in 1982 for $3.5 million.

This liquidation of inventory and stores comes a little more than one month after Home Shops, based in Richmond, filed bankruptcy. The company has nearly $14 million in total debt and, at the time of the filing, was generating only $150,000 in weekly revenues from its 23 stores

(Continued on page 84)

NEWSBREAKS

NEW COAST TO COAST LOOK. Coast to Coast, the 1,100-member franchise hardware chain launched a new prototype on April 12 in St. Paul, Minn. The 6,000-sq.-ft. store is designed for the chain's shift in emphasis from rural to urban markets.

LARGEST STORE FOR WILLIAMS. Williams Brothers, the $50 million Atlanta chain, opened its largest store with a 20,000-sq.-ft. showroom, about twice the size of the 10-store chain's largest unit until now, in the suburb of Marietta, March 27.

INSIDE:

Steinberg assures Wickes: 'No takeover in offing' —Page 2
Lloyd acquires Thriftys Home Centers —Page 3
Paneling makers meet, confront sagging demand —Page 3
Grace blames home centers for 1Q sag —Page 5

Rural Riggs rolls out 50,000-ft. store

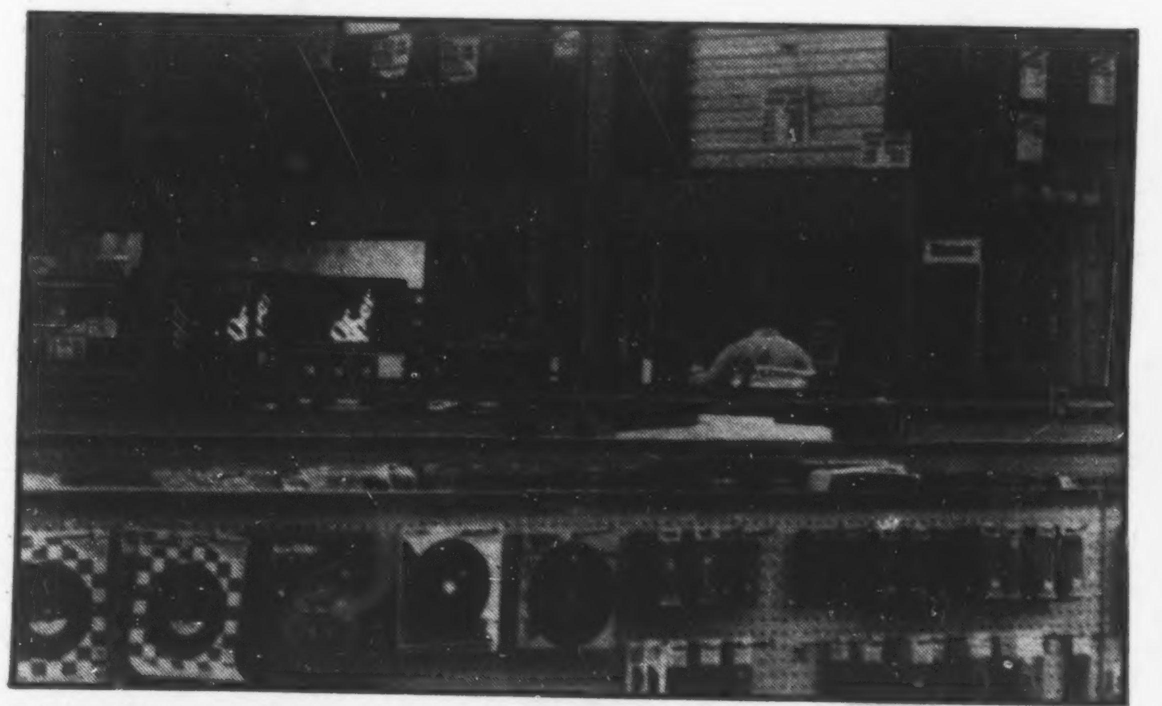
Laura Liebeck
NHCN field editor

BLYTHEVILLE, Ark. — This northeastern Arkansas town in the heart of cotton and soybean country is the newest location for the 126-year-old Riggs Supply Co., headquartered in Kennett, Mo.

Opened on March 4, the 50,000-sq.-ft. store—Riggs' seventh—with 10,000 sq. ft. of adjoining loading dock space, carries 50,000 stock keeping units of merchandise. Its customer base is 85% DIYer and 15% contractor.

Blytheville is the company's prototype unit. Total construction cost, including inventory,

(Continued on page 83)



Riggs Supply's just-opened prototype in Blytheville, Ark., has custom-built, 4-ft.-high fixtures, affording customers an unimpeded view of the store.

NHCNews Briefs

Industry Update

Hechinger names Rochester units

LANDOVER, Md. — Hechinger will move into the Rochester market during the second half of 1985 and is currently "looking at all markets in the Northeast," according to Phil Mansfield, executive vp.

The two Rochester locations will be warehouse stores. They mark Hechinger's northernmost expansion, although Mansfield said Rochester is within the company's 10-hour drive radius from its Landover base.

The New York stores will be located in existing buildings. The *Rochester Times-Union*, a local newspaper reported last month that the new Hechinger stores will be located in former Two Guys stores, one on Hudson Avenue on the northside of the city, and the other on West Henrietta Road at Jefferson Road in the town of Henrietta.

In keeping with its other warehouse home centers, the new Hechinger stores will carry approximately 25,000 stock keeping units of merchandise.

When Hechinger opens for business in Rochester, it will challenge Rochester-based Chase-Pitkin, an 11-unit home center company, eight Grossman's stores, 84 Lumber and a host of local independents.

Lowe's completes Boise buy out

NORTH WILKESBORO, N.C. — Lowe's has completed its previously announced plans to acquire 27 Boise Cascade stores in Texas and Oklahoma (*NHCN*, Feb. 25, 1985).

The purchase price was approximately $50 million in cash, which paid for real estate, inventory, certain accounts receivable and some fixtures and rolling equipment.

"This store acquisition, by far Lowe's largest to date, is indicative of our aggressive commitment to expand our network of stores," said Leonard G. Herring, Lowe's president and ceo. Lowe's now operates more than 270 stores in 21 states.

Eight of the newly acquired Boise Cascade stores are in the Dallas-Fort Worth market, nine are in central and northeastern Texas and six are in Oklahoma. The acquisition also included two door assembly plants, one large wholesale distribution complex and a small distribution facility in central Texas.

Belknap DC opening set

LOUISVILLE, Ky. — Belknap Inc., the hardware wholesaler here, is scheduled to open its new warehouse distribution center in this market on June 15.

The 350,000-sq.-ft. facility, which will replace an older warehouse, is expected to carry an estimated $8 million in inventory and around 35,000 stock keeping units. This DC joins Belknap's other units in Orlando, Fla.; Birmingham, Ala.; Charlotte, N.C.; New Orleans and Dallas.

In addition, Belknap has recently moved its headquarters three blocks west to office space in the city's First National Tower building.

Orchard to open 3 stores in '85

SAN JOSE, Calif. — Orchard Supply Hardware, the 18-unit W. R. Grace chain based here, is opening three stores this year, Tom Thorton, executive vp, said.

A retrofit of a Safeway supermarket in the East Bay community of Concord is scheduled for a June opening. Two build-to-suits, in the peninsula cities of Redwood City and Milbrae, are slated to open in the fall.

Mich. General adds 3 to board

DALLAS — Michigan General, parent of 96-unit Diamond Lumber, has added three new members to its board of directors. They are Marshall S. Cogan, Stephen C. Swid and Rocco A. Barbieri, all officers and directors of GFI Nevada Inc., a company that owns 1.86 million shares of common stock, or 16.5% of Michigan General.

GFI Nevada is a subsidiary of General Felt Industries, which initially acquired the Michigan General stock last September (*NHCN*, Sept. 24, 1984).

"We are delighted to have Messrs. Cogan, Swid and Barbieri on our board of directors," said John R. Boudreau, president and ceo of Michigan General. "We look forward to working with them and believe that their association with Michigan General will be beneficial to the company."

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Vol. 11, No. 9 April 22, 1985

Steinberg assures Wickes of no takeover

SANTA MONICA, Calif. — The purchase of a 10.4% stake in Wickes by a company controlled by financier Saul P. Steinberg last month appeared to be "an expression of confidence and interest" in the company rather than the beginning of a takeover attempt, Wickes officials told *NHCN*.

Steinberg contacted Wickes chairman and ceo Sanford C. Sigoloff on March 25 and indicated he was not making a take-over offer or requesting representation on the board, Wickes spokesman Michael Sitrick said.

Steinberg's Reliance Financial Services Corp., a unit of New York-based Reliance Group Inc., paid $33.6 million for 8.8 million of Wickes' approximately 94 million common shares outstanding during a nine-day period ended March 21. It also bought 1.2 million shares costing $4.3 million as part of a "when-issued" brokerage transaction.

Reliance is now Wickes' single-largest shareholder.

In a S.E.C. statement, Reliance said the securities "were purchased for investment as part of the general investment portfolios" of Reliance, a diversified international enterprise with operations in insurance, real estate, liquefied petroleum gas distribution and consulting services.

The S.E.C. 13-D filing reported that Reliance may increase its holdings or sell the stock at a future date.

The specter of a takeover was

(Continued on page 84)

K mart out to control 25% of whse biz

By Brad Altman
NHCN associate editor

LOS ANGELES — K mart expects to control more than one-fourth of the country's warehouse home center industry by the end of 1989, according to chairman Bernard Fauber.

Currently, the Troy, Mich.-based retailer operates 15 Builders Square warehouse outlets and expects to open another 28 this year. By the end of the decade K mart forecasts that there will be more than 100 Builders Squares.

"It is generally agreed that the warehouse home center industry has a capacity in the United States for approximately 400 of these very high-volume retail locations by 1989," Fauber told security analysts here last month. "We anticipate operating at least 125 of these units by the end of this decade."

K mart expects that its fast-track growth in the next several years will be spurred by Builders Square as well as its other specialty retailing businesses, which include Waldenbooks, Pay Less Drug Stores Northwest and a chain of Furr's and Bishop Buffets cafeterias. These businesses together will contribute about 5%, or $2.5 billion, of K mart's revenues this year, and grow in importance to 15% of total revenues and profits by the end of the decade.

Meantime, K mart continues to upgrade its 2,160-plus discount stores with the revamping of several in-store departments to a stronger upscale, fashion-oriented look.

About 200 stores now have K mart's Home Care Center, which Fauber described as a "complete neighborhood do-it-yourself store" emphasizing convenience DIY merchandise.

But, Fauber commented, "DIY retailing will probably be the hottest single category in all of retailing over the next several years."

K mart, which is the second largest general merchandise retailer behind Sears, recorded a setback in the fourth quarter with earnings falling 21%. Fauber said the results were caused by an aggressive inventory reduction and promotional program that caused heavier markdowns than expected. Full year results, although "not up to my expectations," were still a record $499 million, or 1.4% increase, in profits, on sales of $21.1 billion, a 13.4% sales increase.

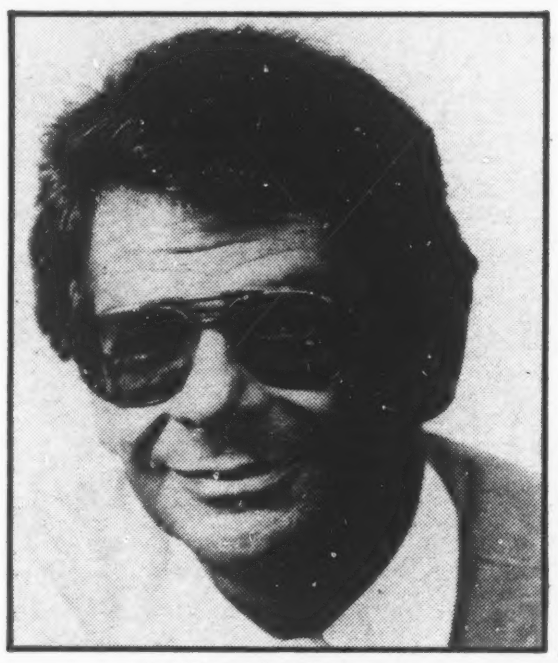
NHCN names new associate publisher

NEW YORK — Arthur Anderman, the founding publisher of *National Home Center News*, was promoted last month to publisher of *Nation's Restaurant News*, another Lebhar-Friedman publication.

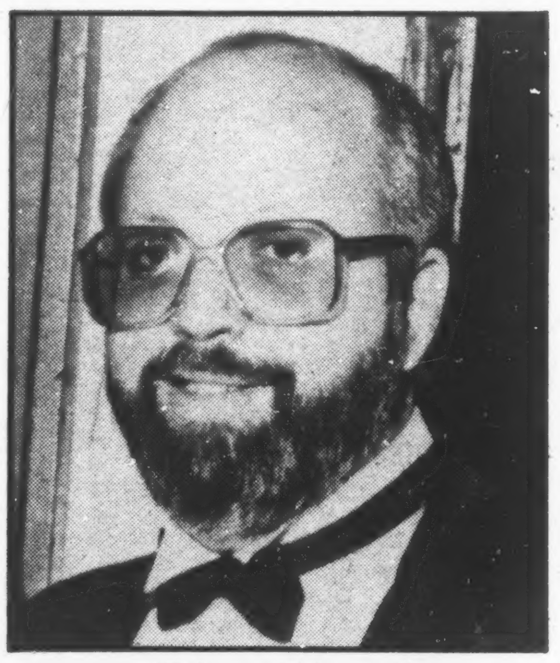
His successor, Edward Nessel, formerly *NHCN*'s national sales manager, was named associate publisher.

Nessel joined *NHCN* about six years ago as a sales representative based in Chicago. He became Midwest sales manager in 1981 and national sales manager the next year.

(Continued on page 84)



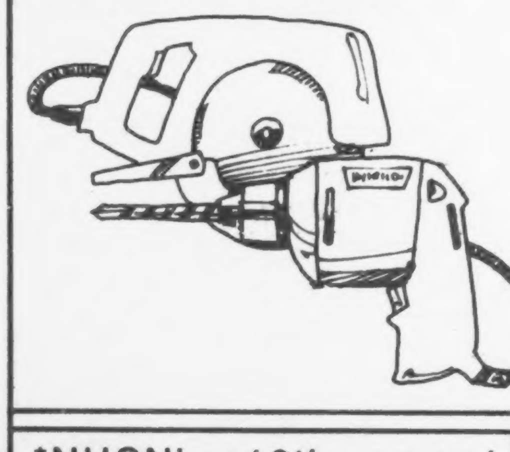
Arthur Anderman



Edward Nessel

Highlights in this issue

Merchandising



**Home center dealers lament the lack of hand and power tool innovation, but suppliers claim it's all in the marketing.*
—Page 45

**Both large chains and small independents are taking steps to reduce shrinkage in their tool departments by locking up valuable items.*
—Page 45

**New architectural roofing bucks old trends, as vendors spice up once bland product category.*
—Page 64

**NHCN's 10th annual Home Center Show party.*
—Pages 16-19

**Dealers told to shop around for suitable system.*
—Page 41

**Panelists pool ideas to attract customer mix.*
—Page 41

Advertising & Marketing

**Marketing executives honored at first ad awards dinner.*
—Page 67

**Major paneling manufacturers meet to confront sagging paneling demand.*
—Page 68

**Newly released paneling study finds image problem with consumers.*
—Page 69

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ADVERTISING AWARD

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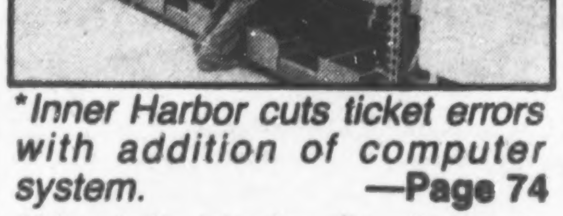


**Inner Harbor cuts ticket errors with addition of computer system.*
—Page 74

**New "double deep" pallet racking gives stores always stocked look.*
—Page 77

FINANCIAL NEWS

19 Gainers

3 Unchanged

32 Losers

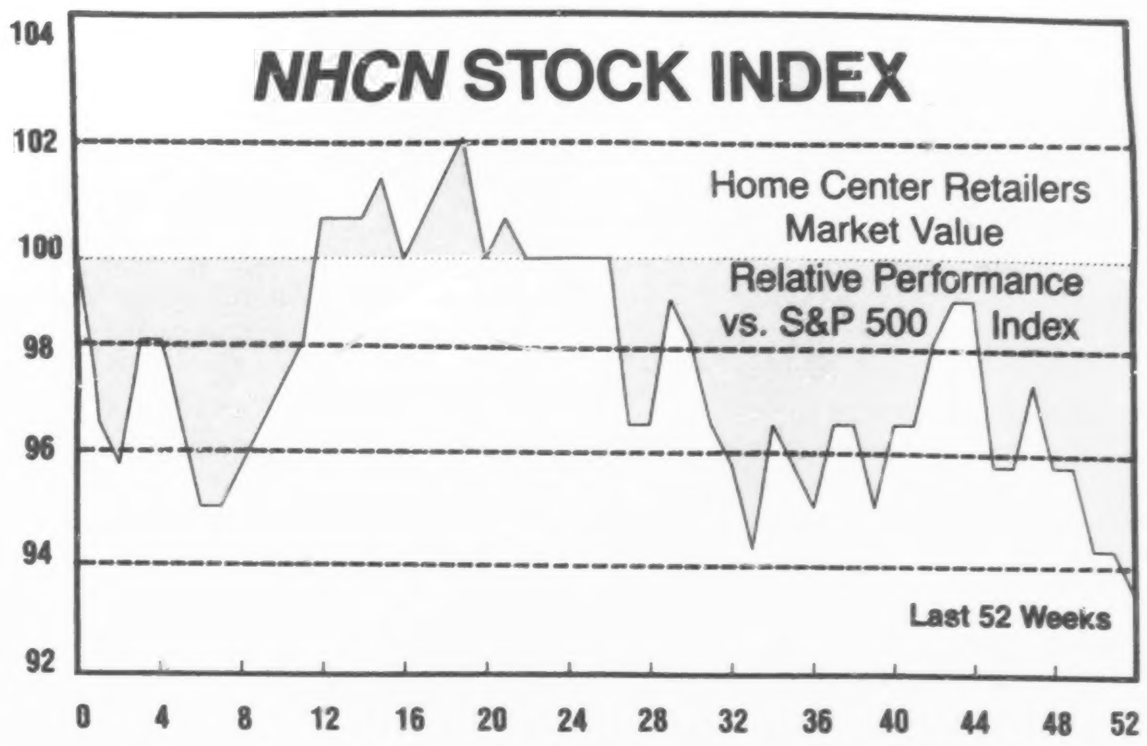
Home center stocks fell again for the two weeks ended April 5 and reflected the largely disappointing results in the overall public equity market.

Though not as poor a performance as the previous two-week period, losers still outnumbered winners, 32 to 19, with three stocks unchanged.

Homecrafters Warehouse, the single home center stock gainer during the previous two-week period, ended March 22, took one of the biggest slides in the current two-week period, down 7.9% to close at $8.75. The Birmingham, Ala.-based company has been very slow to release financial statements for its 1984 fiscal year, ended Jan. 31, 1985. The chain recorded poor second and third quarters last year and was expected to post another loss in the fourth quarter.

Home Depot, off slightly in the previous period, posted one of the larger losses in home center stocks, down 4.4% to close at $16.25.

Winners included Pay 'N Pak, Payless Cashways, Hechinger B and Edward Hines Lumber. Hines' stock rose after the announcement that president Edward Hines was purchasing the retail stores. The company recently added two stores to its Kindt operation, which will be sold separately (see story, page 1). And Pay 'N Pak, a gainer at the close of the latest two-week period, is still near its 52 week low.



Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
MacMlln Bldel N	773	550.0	2.8
Waxman Ind M	3,946	494.6	- 15.1
Edison Bros N	2,971	270.9	- 1.5
Allegheny Int N	2,948	176.2	1.4
Erb Lumber O	69	148.4	7.3

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Weyerhaeuser N	27,478	123.2	1.4
Supermkts Gen N	4,139	121.9	2.7
Black & Decker N	22,750	121.6	- 10.9
Pay N Pak N	3,280	108.9	7.3
Lewis Palmer M	1,075	80.0	- 11.7

TOP GAINERS

Company & Market	2-Weeks Ended 12-21-84	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Emhart Corp N	28.88	7.9	2,967
Pay N Pak N	12.88	7.3	3,280
Erb Lumber O	22.00	7.3	69
Manville Cp N	7.88	5.0	3,240
Payless Cash N	19.63	4.7	8,173

TOP LOSERS

Company & Market	2-Weeks Ended 12-21-84	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Waxman Ind M	9.50	- 15.1	3,946
Lewis Palmer M	8.50	- 11.7	1,075
Black & Decker N	21.38	- 10.9	22,750
Natl Lumber M	5.25	- 8.7	413
Homecrafters Whse M	8.75	- 7.9	1,735

National Home Center News® HOME CENTER INDUSTRY MARKET SUMMARY

	Stock Market											Financial Update																	
	Price							Volume																					
	2-Weeks Ended	2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol.	Volume Trend	P/E	Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date					
															New		Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
Company and Market	4-04-85	Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Change	Ratio	Amt.	Yld.	Report	Period	Ended	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Boise Cascade N	37.63	- .88	- 2.3	38.75	37.25	44.63	32.50	3,929	1.44	2.08	- 30.8	16.9	1.90	5.0	.....	fiscal	12-84	907.2	.7	(24.5)	- 100.0	(1.01)	- 100.0	3816.9	10.6	69.6	15.2	2.23	16.8
Color Tile M	17.50	- .25	- 1.4	17.75	16.88	20.00	13.63	2,520	2.74	4.30	- 36.3	11.7	.00	.0	.....	6 mos.	12-84	83.2	21.1	3.4	- 5.6	.37	2.8	158.7	20.7	6.2	- 1.6	.68	9.7
Edison Bros N	32.50	- .50	- 1.5	33.25	31.50	39.75	31.50	2,971	2.93	.79	270.9	10.2	1.60	4.9	.....	fiscal	12-84	277.2	- 9.3	8.4	- 61.3	.82	- 59.0	1054.7	3.3	32.9	- 32.7	3.19	- 29.3
Erb Lumber O	22.00	1.50	7.3	23.63	21.00	22.50	18.00	69	.77	.31	148.4	6.7	.00	.0	NEW	fiscal	12-84	36.5	10.6	.8	NE	.98	NE	150.1	11.0	2.9	38.1	3.27	42.8
Evans Prod N	2.25	.00	.0	2.38	2.00	7.75	1.75	1,446	1.05	1.72	- 39.0	NE	.00a	.0	.....	9 mos.	09-84	404.2	10.6	(12.6)	NE	(.99)	NE	1030.0	6.1	(52.6)	NE	(4.04)	NE
Forest City Ent A	21.00	- .75	- 3.4	21.63	21.00	22.25	15.00	38	.09	.15	- 40.0	67.7	.15	.7	.....	9 mos.	10-84	85.8	284.8	2.7	NC	.34	NC	256.5	37.5	3.1	- 35.4	.39	- 35.0
Grace W R N	40.63	- .25	- .6	41.88	40.38	44.50	36.50	6,226	1.28	.80	60.0	10.1	2.80	6.9	.....	fiscal	12-84	1830.8	4.4	59.1	13.0	1.22	2.5	6727.8	8.2	195.6	27.0	4.02	26.8
Hechinger A M	23.75	- .25	- 1.0	24.25	23.75	25.00	13.50	262	.37	1.04	- 64.4	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	25.00	.50	2.0	25.50	24.00	27.25	14.00	722	.65	.61	6.6	21.7	.10	.4	NEW	fiscal	01-85	102.4	29.6	6.1	19.6	.34	17.2	405.1	30.9	20.9	29.0	1.15	27.8
Hines Ed Lumber O	38.00	1.00	2.7	39.50	36.50	43.75	32.50	67	.38	.26	46.2	4.9	1.00	2.6	.....	fiscal	12-84	68.4	10.3	8.8	2833.3	6.44	3477.8	280.8	12.5	11.1	516.7	7.74	651.5
Homecrafters Whse M	8.75	- .75	- 7.9	9.50	8.00	16.25	5.25	1,735	6.15	3.53	74.2	41.7	.00	.0	NEW	fiscal	10-84	41.3	58.2	(2.3)	- 100.0	(.81)	- 100.0	121.2	54.6	(1.6)	- 100.0	(.55)	- 100.0
Home Depot N	16.25	- .75	- 4.4	18.00	15.88	27.88	12.00	6,628	2.65	1.90	39.5	29.0	.00	.0	NEW	fiscal	01-85	117.4	42.3	3.6	9.1	.14	7.7	432.8	68.9	14.1	36.9	.56	36.6
K mart Cp N	33.25	- .88	- 2.6	34.25	33.00	41.50	26.75	20,342	1.62	2.21	- 26.7	8.0	1.24	3.7	.....	9 mos.	10-84	4993.3	15.3	92.4	13.5	.71	12.7	14220.4	9.8	294.8	21.0	2.27	20.1
Lowe's Cos N	26.38	- .25	- .9	27.13	26.25	30.00	16.25	3,783	1.04	1.13	- 8.0	15.5	.36	1.4	.....	fiscal	01-85	375.9	13.6	10.5	10.5	.29	11.5	1688.8	18.0	61.4	21.3	1.70	21.4
Mich General A	6.75	- .25	- 3.6	7.13	6.63	8.50	4.63	1,481	1.31	1.06	23.6	14.7	.00	.0	NEW	fiscal	12-84	105.1	- 7.0	.6	NC	.04	NE	449.4	134.1	5.4	63.6	.46	24.3
Natl Lumber M	5.25	- .50	- 8.7	5.88	5.00	7.50	4.50	413	.73	.54	35.2	21.9	.00	.0	NEW	fiscal	12-84	31.8	7.8	.3	200.0	.06	200.0	127.9	12.7	1.3	- 40.9	.24	- 48.9
Pay N Pak N	12.88	.88	7.3	13.25	12.00	17.50	11.50	3,280	3.28	1.57	108.9	11.4	.60	4.7	.....	9 mos.	11-84	81.5	20.0	2.7	- 15.6	.27	- 20.6	243.7	24.3	8.9	14.1	.89	2.3
Payless Cash N	19.63	.88	4.7	20.50	18.50	21.25	13.50	8,173	2.38	2.41	- 1.2	17.7	.16	.8	.....	3 mos.	02-85	254.9	29.1	1.6	- 38.5	.05	- 44.4	254.9	29.1	1.6	- 38.5	.05	- 44.4
Scott Seabd O	1.25	.00	.0	1.50	1.25	3.25	1.00	3	.02	.16	- 87.5	NE	.00	.0	.....	9 mos.	10-84	9.0	3.4	.0	- 100.0	(.01)	- 100.0	29.5	7.3	.2	- 75.0	.12	- 70.7
Scotty's Inc N	14.38	- .25	- 1.7	14.88	14.38	16.38	11.38	484	.37	.57	- 35.1	10.3	.52	3.6	.....	6 mos.	12-84	109.6	9.3	3.6	9.1	.26	.0	211.3	8.0	7.0	7.7	.52	.0
Sears, Roebuck N	33.50	- 1.00	- 2.9	35.00	33.13	37.63	29.50	38,391	1.06	.81	30.9	8.4	1.76	5.3	.....	fiscal	12-84	11097.7	2.1	558.3	- 4.2	1.54	- 6.7	38830.0	7.8	1450.0	8.0	4.01	5.5
SW Forest Ind N	13.75	- 1.00	- 6.8	14.63	13.50	22.13	13.50	1,569	1.69	1.43	18.2	16.6	.00	.0	.....	fiscal	12-84	189.9	47.3	.9	NE	(.06)	NE	777.4	22.2	14.0	NE	.83	NE
Std Brd Pnt N	20.13	.50	2.5	20.50	19.50	21.38	16.50	3,031	2.72	2.03	34.0	11.4	.54	2.7	.....	9 mos.	10-84	81.5	2.4	5.3	- 3.6	.48	- 2.0	244.2	6.1	16.3	6.5	1.47	6.5
Supermkts Gen N	37.88	1.00	2.7	38.75	36.00	38.75	19.75	4,139	2.33	1.05	121.9	12.8	.42	1.1	NEW	fiscal	01-85	1336.1	46.0	22.1	62.5	1.25	62.3	4346.7	23.6	52.4	28.7	2.95	28.3
Wolohan Lumber M	6.25	.00	.0	6.38	6.13	7.00	4.00	388	.66	1.11	- 40.5	13.9	.16	2.6	.....	fiscal	12-84	36.2	27.0	.8	300.0	.14	250.0	139.2	23.8	2.6	100.0	.45	95.7
Wholesalers																													
Lewis Palmer M	8.50	- 1.13	- 11.7	9.75	8.50	9.75	7.09	1,075	2.88	1.60	80.0	13.1	.28b	3.3	.....	6 mos.	07-84	40.3	19.9	.5	- 16.7	.15	- 21.1	69.4	17.0	.8	14.3	.25	- 7.4
Manufacturers																													
Allegheny Int N	27.13	.38	1.4	27.13	26.25	28.75	18.75	2,948	2.79	1.01	176.2	NE	1.40	5.2	.....	fiscal	12-84	354.1	- 44.0	(17.6)	- 100.0	(2.53)	- 100.0	2115.3	- 9.9	14.9	- 47.3	(2.51)	NE
Am Standard N	29.38	- 2.50	- 7.8	32.00	29.13	35.38	22.88	5,560	1.43	.99	44.4	9.6	1.60	5.4	.....	fiscal	12-84	862.4	50.1	30.8	71.1	.78	20.0	3214.5	47.4	114.9	83.5	3.07	35.2
Armstrng Wrld N	32.75	.50	1.6	33.63	31.25	38.00	22.88	7,382	3.09	1.87	65.2	8.6	1.20	3.7	.....	fiscal	12-84	382.4	7.4	18.8	43.5	.79	51.9	1569.2	9.0	92.2	46.1	3.79	49.8
Black & Decker N	21.38	- 2.63	- 10.9	24.25	20.75	26.88	17.25	22,750	4.52	2.04	121.6	10.9	.64	3.0	.....	3 mos.	12-84	503.0	40.5	29.0	8.6	.57	1.8	503.0	40.5	29.0	8.6	.57	1.8
Certain-teed N	22.50	- .25	- 1.1	22.75	21.25	27.13	15.75	1,958	1.03	.81	27.2	10.4	.70	3.1	.....	fiscal	12-84	273.8	5.8	13.9	73.8	.70	89.2	1189.6	14.3	43.5	31.0	2.17	25.4
Champ Intl N	21.00	- .13	- .6	21.63	20.25	26.75	16.88	26,106	2.82	1.66	69.9	NE	.40	1.9	.....	fiscal	12-84	1690.4	56.7	(115.4)	- 100.0	(2.14)	- 100.0	5121.1	20.1	(6.0)	- 100.0	(.36)	- 100.0
Clopay Corp A	27.50	1.13	4.3	27.75	25.75	27.75	13.63	101	.84	.78	7.7	13.6	.16	.6	.....	fiscal	12-84	36.4	13.8	.9	28.6	.76	40.7	134.0	13.0	2.5	66.7	2.02	68.3
DeSoto Inc N	33.88	- 2.25	- 6.2	36.00	33.50	37.88	26.75	266	.56	.48	16.7	9.5	1.40	4.1	.....	fiscal	12-84	78.3	39.8	3.6	- 5.3	.71	6.0	407.4	22.7	19.6	10.7	3.56	12.3
Emhart Corp N	28.88	2.13	7.9	29.38	27.25	32.25	24.53	2,967	1.08	.65	66.2	8.8	1.40b	4.8	NEW	fiscal	12-84	448.2	.7	25.6	- 10.5	.69	- 33.0	1794.5	6.5	90.4	7.2	3.27	6.9
Georgia-Pacifc N	22.63	.50	2.3	22.75	21.00	27.38	18.00	22,071	2.15	1.62	18.1	23.3	.80	3.5	.....	fiscal	12-84	1348.0	- 17.9	(99.0)	- 100.0	(1.02)	- 100.0	6682.0	3.3	119.0	13.3	.97	.0
Insilco Corp N	19.25	- .38	- 1.9	20.25	19.13	20.72	13.31	1,841	1.03	.72	43.1	10.6	1.00b	5.2	.....	fiscal	12-84	180.9	12.1	7.3	5.8	.40	5.3	786.9	16.7	33.0	- 3.8	1.82	- 4.2
La Pacific N	20.13	- .75	- 3.6	21.00	19.88	24.75	16.50	3,724	1.08	.92	17.4	16.4	.78b	3.9	.....	fiscal	12-84	283.7	- 3.0	21.0	195.8	.64	204.8	1230.0	11.6	42.2	51.3	1.23	50.0
MacMlln Bldel N	18.63	.50	2.8	19.25	18.25	23.97	16.84	773	.26	.04	550.0	NE	.00a	.0	.....	9 mos.	09-84	603.0	21.3	7.5	1150.0	.04	NE	1549.1	1.7	(4.7)	NE	(.78)	NE
Manville Cp N	7.88	.38	5.0	7.88	7.50	11.25	5.50	3,240	1.35	2.25	- 40.0	3.6	.00	.0	.....	fiscal	12-84	472.6	9.6	18.2	1416.7	.50	NE	1873.5	8.3	77.2	14.9	2.18	23.9
Masco Corp N	29.00	- .50	- 1.7	30.38	28.88	33.50	22.50	4,302	.76	.66	15.2	14.5	.56	1.9	.....	fiscal	12-84	214.7	- 20.9	21.7	- 27.2	.33	- 35.3	1019.7	- 3.8	115.9	8.7	2.00	8.7
Natl Gypsum N	44.00	.13	.3	44.88	43.00	45.25	27.00	3,025	1.94	1.89	2.6	6.4	2.00	4.5	.....	fiscal	12-84	429.2	38.7	25.2	37.0	1.62	45.9	1717.5	51.9	106.8	116.6	6.86	127.9
Newell Cos N	16.50	- 1.13	- 6.4	17.63	16.38	19.00	13.25	828	.96	.59	62.7	10.2	.50	3.0	.....	fiscal	12-84	89.8	24.5	4.2	16.7	.46	12.2	308.4	30.2	14.2	9.2	1.62	6.6
Owens Corning N	32.25	- 1.13	- 3.4	33.63	31.63	37.00	25.13	3,118	1.06	1.40	- 24.3	8.3	1.40	4.3	.....	fiscal	12-84	756.0	2.7	33.6	2.4	1.14	- .9	3021.2	9.7	113.9	42.9	3.87	39.7
Pope & Talbot N	19.50	.50	2.6	19.63	19.00	22.50	15.00	267	.45	.35	28.6	NE	.80	4.1	.....	fiscal	12-84	79.1	6.5	(4.7)	- 100.0	(.79)	- 100.0	320.8	12.2	(.6)	- 100.0	(.10)	- 100.0
Potlatch Cp N	32.13	- 1.38	- 4.1	33.38	31.38	38.13	25.75	956	.62	.87	- 28.7	11.5	1.56	4.9	.....	fiscal	12-84	236.1	1.2	10.0	- 1.0	.58	16.0	993.9	9.6	49.6	22.5	2.80	37.9
Sherwin-Wms N	32.50	.25	.8	33.50	31.88	35.25	23.75	2,777	1.23	1.14	7.9	11.4	.92	2.8	.....	fiscal	12-84	501.5	6.8	9.1	24.7	.41	17.1	2075.2	5.2	65.0	17.3	2.84	22.4
Stanley Works N	27.63	.50	1.8	29.00	27.13	30.38	19.50	4,344	1.61	1.02	57.8	10.6	.96	3.5	.....	fiscal	12-84	306.0	16.3	22.4	7.2	.81	8.0	1158.4	17.8	72.4	36.6	2.60	35.4
Thos Inds N	16.13	- .13	- .8	16.63	16.13	18.88	12.38	192	.23	.28	- 17.9	8.6	.62b	3.8	.....	fiscal	12-84	77.1	30.7	3.9	11.4	.46	12.2	291.7	31.4	15.9	39.5	1.87	29.0
Triangle Pac N	29.00	- .75	- 2.5	29.75	28.75	31.25	20.75	961	2.36	2.51	- 6.0	8.8	1.00	3.4	.....	fiscal	12-84	63.1	7.5	2.9	.0	.71	1.4	270.6	19.8	13.6	19.3	3.30	17.9
USG Corp N	33.75	- .75	- 2.2	34.50	32.25	35.63	22.50	6,040	1.83	2.07	- 11.6	6.0	1.68	5.0	.....	fiscal	12-84	610.6	40.1	41.3	45.9	1.24	47.6	2318.6	43.9	186.6	132.4	5.64	136.0
Walter, Jim N	33.63	- .50	- 1.5	34.13	33.13	37.00	22.00	3,510	1.61	1.64	- 1.8	7.0	1.40	4.2	NEW	6 mos.	02-85	526.3	- 6.8	15.0	30.4	.69	32.7	1084.6	- 3.9	42.1	24.2	1.93	24.5
Waxman Ind M	9.50	- 1.69	- 15.1	10.69	9.00	12.69	2.91	3,946	15.52	2.61	494.6	13.2	.08	.8	.....	6 mos.	12-84	20.4	121.7	.5	150.0	.20	233.3	40.9	109.7	1.2	200.0	.47	213.3
Weyerhaeuser N	28.00	.38	1.4	28.50	27.00	34.00	25.00	27,478	2.12	.95	123.2	18.4	1.30	4.6	.....	fiscal	12-84	1407.8	11.7	27.4	- 60.9	.16	- 67.3	5549.7	13.7	226.2	10.4	1.52	11.8

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend

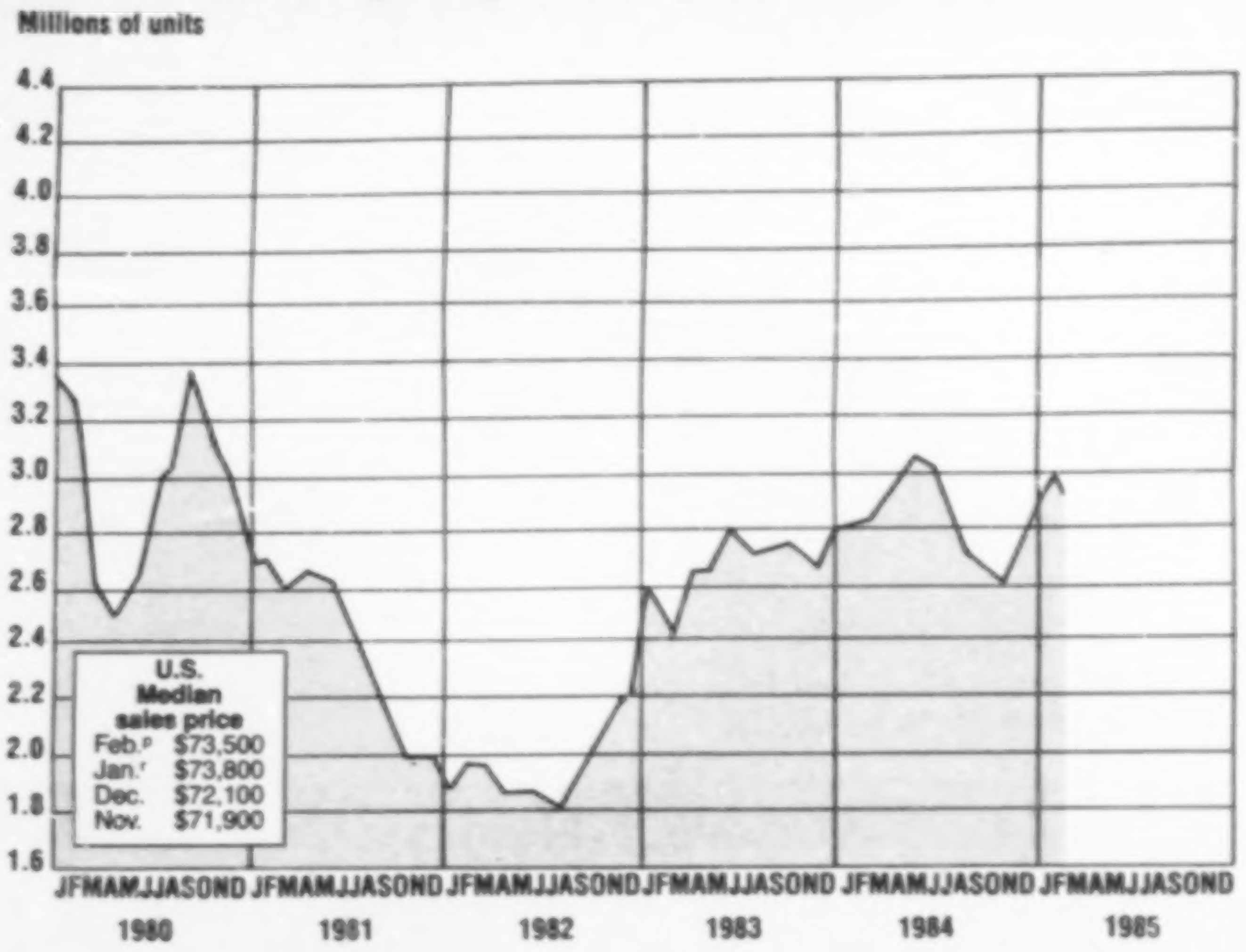
b—Indicates cash plus stock dividend when applied to dividend amount column

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

HOUSING WATCH

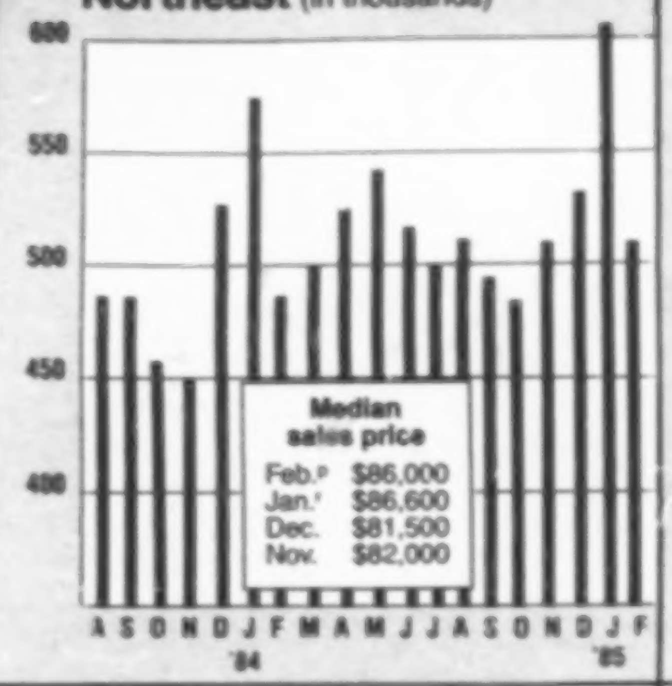
Existing single-family home sales



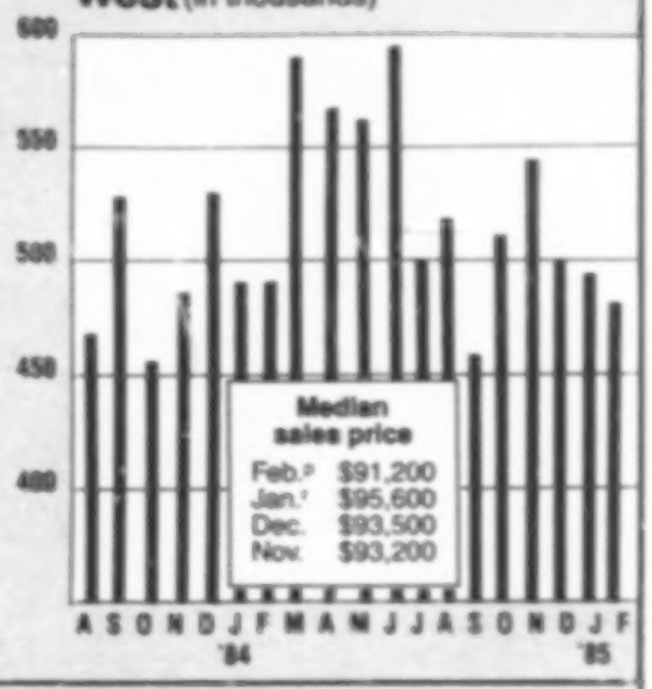
Home resales fell 2.7% in February to 2.92 million units, seasonally adjusted, according to the Nat'l Assn. of Realtors. This decline was largely due to the Northeast market, where only 510,000 units changed hands, a 15% drop from January's all-time record of 600,000 units, seasonally adjusted.

p = preliminary r = revised Source: Nat'l Assn. of Realtors

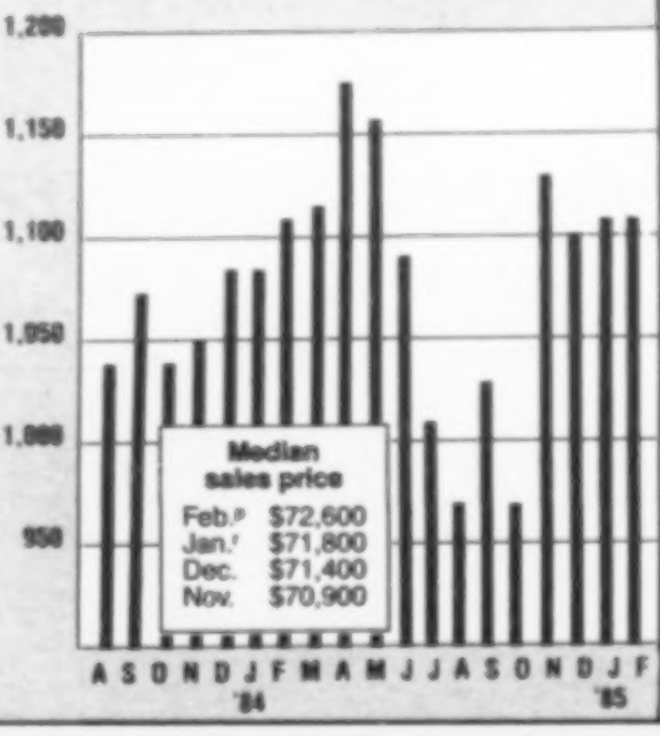
Northeast (in thousands)



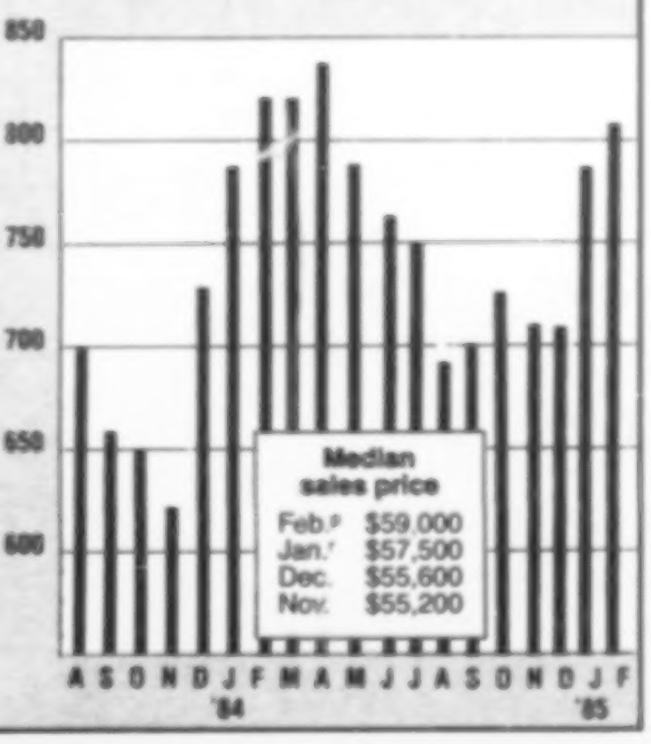
West (in thousands)



South (in thousands)



Midwest (in thousands)



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U.S. resales reverse field in February

NATIONAL REPORT — Home resales fell for the first time in five months in February, slipping 2.7% from the 3 million units sold in January, to 2.92 million units, seasonally adjusted, according to the Nat'l Assn. of Realtors.

This decline was partly due to the Northeast region where 510,000 units changed hands in February, a drop of 15% from the record high January figure of 600,000 units.

"February's annual resale rate in the Northeast returned to the average monthly rate in that region during 1984," said David D. Roberts, president of the association.

The West also recorded a decrease in home resales, dropping from January's 490,000 units, seasonally adjusted, to 480,000 units in February.

In other areas of the country, home resales remained strong. In the Midwest, 810,000 units changed hands—a 2.5% increase from January. The South maintained its resale rate of 1.12 million units. That region accounted for 38% of all existing single family houses sold in the United States.

Overall, February was still a strong month for resales with continued low interest rates encouraging move-up buyers and allowing more first-time buyers to enter the market. The average effective interest rate on a fixed loan mortgage was 13.47% in February, according to the Federal Home Loan Bank Board.

Interest rates could fall to just under 13% in the second and third quarters, according to the Nat'l Assn of Realtors, and on this basis the association forecasts that home resales could top 3 million by the year-end.

Although the median sales price of an existing single family home in the United States only dropped $300 from $73,800 in January to $73,500, the West saw a massive $4,400 decline in house prices. In that region, prices fell from $95,600 in January to $91,200 in February which is the lowest on record since September 1983.

New tactics employed in lumber import battle

WASHINGTON — Congress and the Reagan Administration recently increased the pressure on Canadian officials to reduce softwood lumber shipments to the United States, despite concerns that such import restrictions may increase the cost of a variety of wood products sold in the nation's home center chains.

In response to concerns raised by domestic lumber producers, U.S. Special Trade Rep. William Brock called for a fresh International Trade Commission study of the impact of Canadian softwood imports on the nation's economy—a move likely to generate additional ammunition for supporters of tough new restrictions on foreign lumber shipments.

Meanwhile on Capitol Hill, a House Interior Subcommittee approved legislation sponsored by Rep. Jim Weaver (D-Ore.) imposing new quotas on lumber imports which would require Canadian producers to reduce their exports to the U.S. by more than 20%.

Both moves are designed to influence on-going negotiations between Reagan Administration and Canadian officials in Ottawa over proposals for voluntary limitations on exports of lumber to this country.

In testimony before Weaver's House subcommittee last month, representatives from the Northeastern Lumber Manufacturers Association told Congress that "Canadian imports have caused a great oversupply of softwood lumber in the U.S. and have driven softwood lumber prices to artificially and harmfully low levels."

Even though the latest estimates indicate total U.S. consumption of softwood lumber reached nearly 40 billion board feet last year—the highest level since 1979—the current inflation-adjusted price of $65 per thousand board feet is some $20 below the average of a few years ago, domestic producers said.

One reason that prices have not kept pace with demand is that Canadian lumber imports have climbed to 13 billion board feet annually—32% of the total U.S. market, up from 19% a decade ago, officials from the Southern Forest Products Association testified.

Although he called the current lumber trade talks in Ottawa "constructive," SFPA assistant vice president Digges Morgan urged Congress to continue to keep the pressure on Canadian officials by moving ahead with Weaver's pending quota legislation.

As originally proposed, that bill (H.R. 1088) would have required Canadian producers to reduce exports of lumber "to their historic level of 25% of the U.S. market" for the next 10 years.

But during last month's House hearings Morgan and other domestic lumber industry leaders warned that even this cutback "may not be enough correction to help."

In response to those charges, Weaver amended his bill to extend the proposed quotas for 15 years, and that version won prompt approval from the subcommittee late last month.

The next key test for the pending lumber import quota bill could take place later this month when the debate over softwood trade restrictions shifts to the full House Interior Committee.

Although he expressed hope that the discussions between U.S. and Canadian negotiators will resolve the problem eventually, Weaver served notice that "I intend to move this bill as quickly as possible" in case those talks fail to reach a voluntary agreement.

At the same time, Brock's call for a new I.T.C. study of softwood imports served notice on Canadian officials that the Reagan Administration is also considering unilateral action to place restrictions on foreign lumber shipments.

Significantly, I.T.C. conducted a full-dress investigation of Canadian softwood imports three years ago and concluded that domestic mills are being unfairly injured by these shipments.

But the Commerce Department nevertheless refused to impose "counterveiling duties" on Canadian lumber and the level of imports has risen even further since then.

In a letter sent to I.T.C. only days before he was tapped by the White House to replace former Labor Secretary Ray Donovan, U.S. Special Trade Representative Brock cited the "continuing acute concern" among U.S. firms "over the strong competition from imported softwood."

By directing I.T.C. to complete the new lumber import investigation by the first week in July, Brock provided Canadian officials with an additional incentive to negotiate a settlement within the next few months.

FUTURES

Two weeks ended March 21, 1985

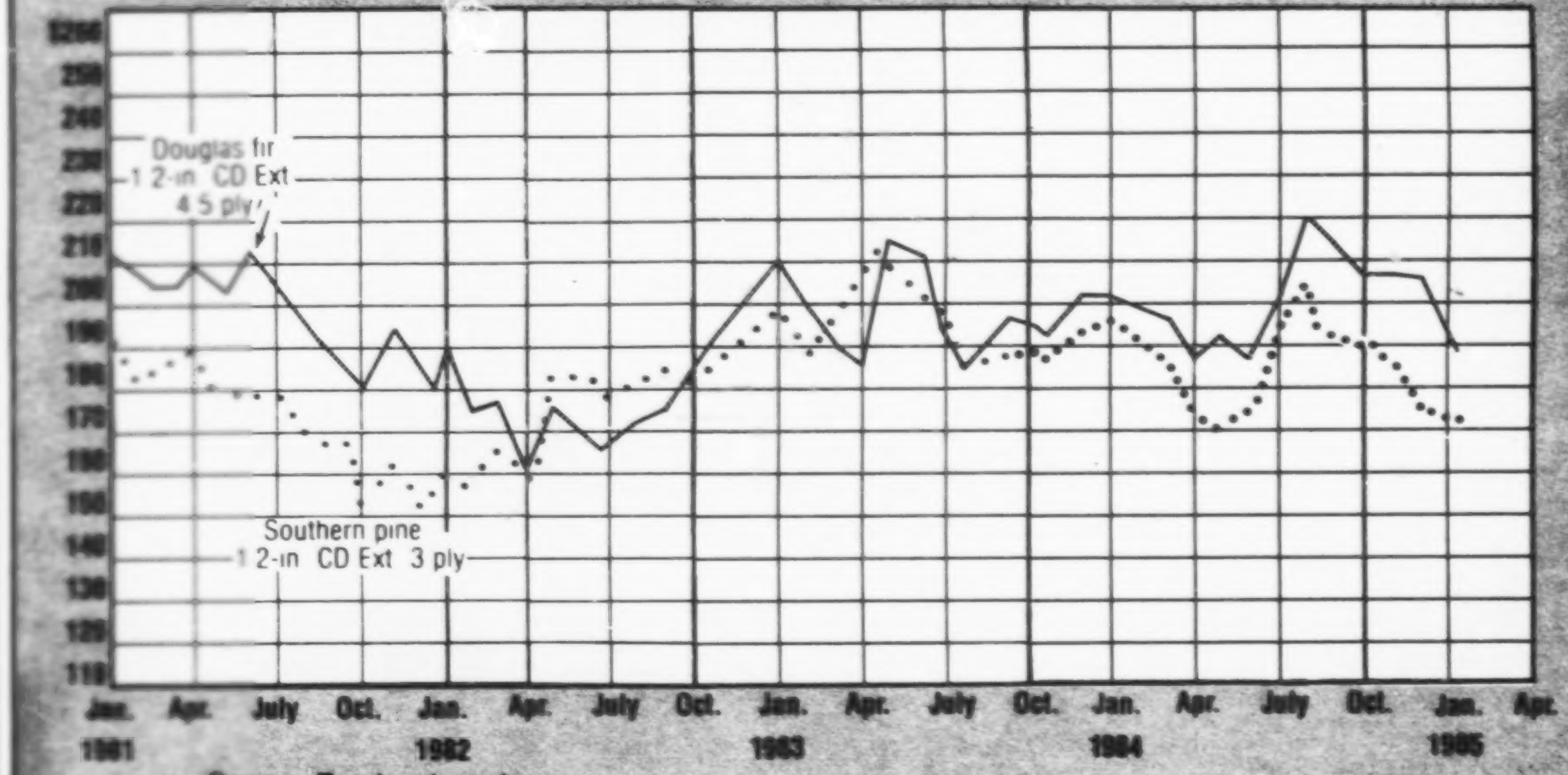
	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
May '85	131.90	124.10	126.20	133.40	3,938	225.00	124.10
July	140.60	132.50	134.70	142.40	1,995	230.50	132.50
Sept.	146.50	139.30	140.40	149.30	957	197.50	139.30
Nov.	148.20	140.40	142.30	150.40	912	186.10	140.40
Jan. '85	154.30	147.20	148.20	155.60	720	187.30	147.20
March	160.00	152.00	152.50	161.10	58	188.20	152.00
May	164.50	155.50	155.70	—	19	164.50	155.50

Total Contract Vol. (Through 3/21): 20,468 **Previous Two Weeks: 26,933**
Total Open Interest (As of 3/21): 8,130 **Previous Week: 7,370**
Cash Price: $133.28 **Previous Week: $139.16** **Year Ago: $188.16**

CME—Chicago Mercantile Exchange
*Figures for Thursday, March 21.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

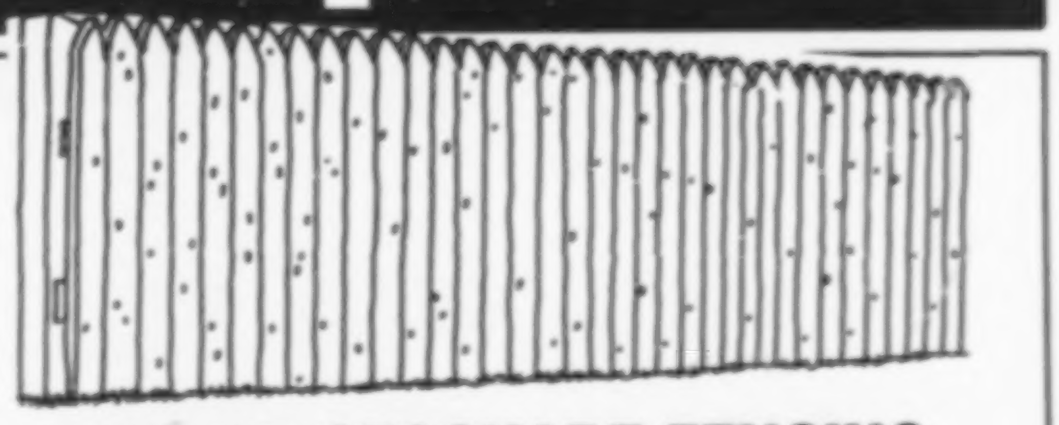
Average monthly mill prices



Source: *Random Lengths*

Prices for western plywood continued to drop in February after a drastic decline the month before. Western plywood sold for $184 per thousand square feet in February, down from January's price of $189.

Southern pine plywood (westside) sold for $172 per thousand square feet in February, near January's $173 figure.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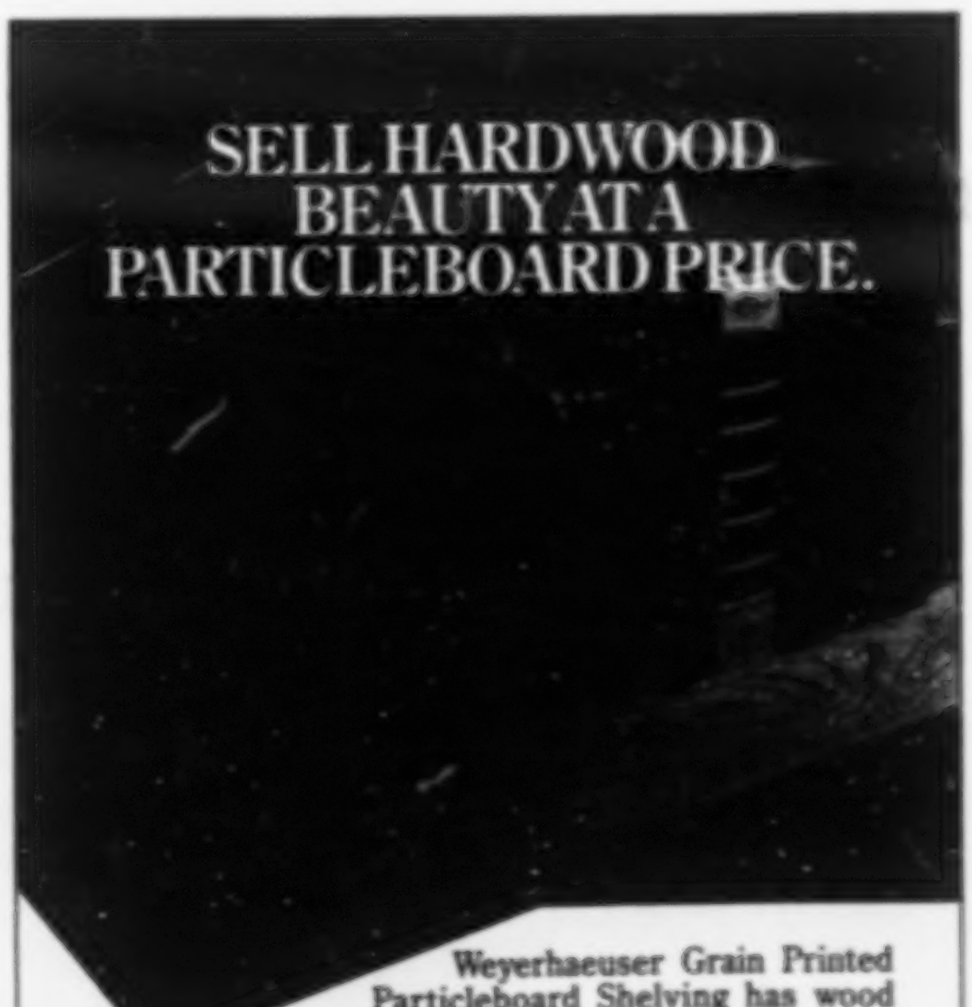
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Big hitters score high in per-store productivity

10-year review shows Top 10's sales rose faster than store counts

By Phillip M. Perry
NHCN senior editor

NATIONAL REPORT — The annual sales volumes achieved by the "top 10" home center chains rose by 242% between 1975 and 1984 from $2.6 billion to $8.7 billion.

Over the same period, the number of stores operated by such chains increased by only 70%.

Statistics compiled by *National Home Center News* over the decade from 1975 show that, for the top 10 chains:

- Average store productivity rose from $2.2 million to $4.4 million.
- The share of the retail lumber and building materials market held by the top 10 chains rose from 11% to 15%.
- The year 1980 was pivotal in terms of consumer business and store productivity.

One of the key factors common to big hitters climbing onto the top 10 chart over this decade was a shift in orientation from a lumberyard posture to that of home center merchandising with its concern for do-it-yourself traffic.

Of the top 10 chains moving some $2.6 billion worth of goods out of 1,164 stores in 1975, only four had consumer volumes accounting for over 80% of sales. All of those four were positioned on the "bottom five" of that list. And virtually half the top 10 chains posted consumer sales of under 52%.

However, in 1984, when the big hitters moved $8.7 billion worth of goods out of 1,984 units, the story was much different. Six of the top 10 outfits moved over 80% of their volume to consumers. Only Wickes Lumber, which was, by then, part of the more consumer-oriented Wickes Cos. with its Builders Emporium operation, posted less than 52% consumer sales levels.

Grabbing more consumer trade and pushing more sales out of each store helped the top 10 chains edge up their share of the building materials sales pie.

In 1975 those chains held 11% of the retail building materials, hardware and supply store sales, which totaled $23 billion that year, according to the Department of Commerce.

The share had risen to 15% of $59 billion in 1984.

While the trend of productivity per store seems pronounced when figures from 1975 and 1984 are compared, the disparities concerning the trends as they developed during the first and last halves of the 10-year period are even more remarkable.

From 1975 to 1980, productivity per store rose by only 23%, while the number of stores rose by 66%.

In the period from 1980 to 1984, the pattern reversed. Productivity per store rose by 63%, while the number of stores operated rose by only 3%.

Clearly, the recession year of 1980 had an affect on the strategic plans of the chains making it to the top 10 list.

The primary reason for the leveling of store count since 1980—a trend that can be seen graphically on the accompanying chart—was not a slowing of expansion rates on the parts of companies in the top 10. Rather, the condition reflects a shift in the firms making up the top 10 toward home center-type operations that stressed greater productivity per store.

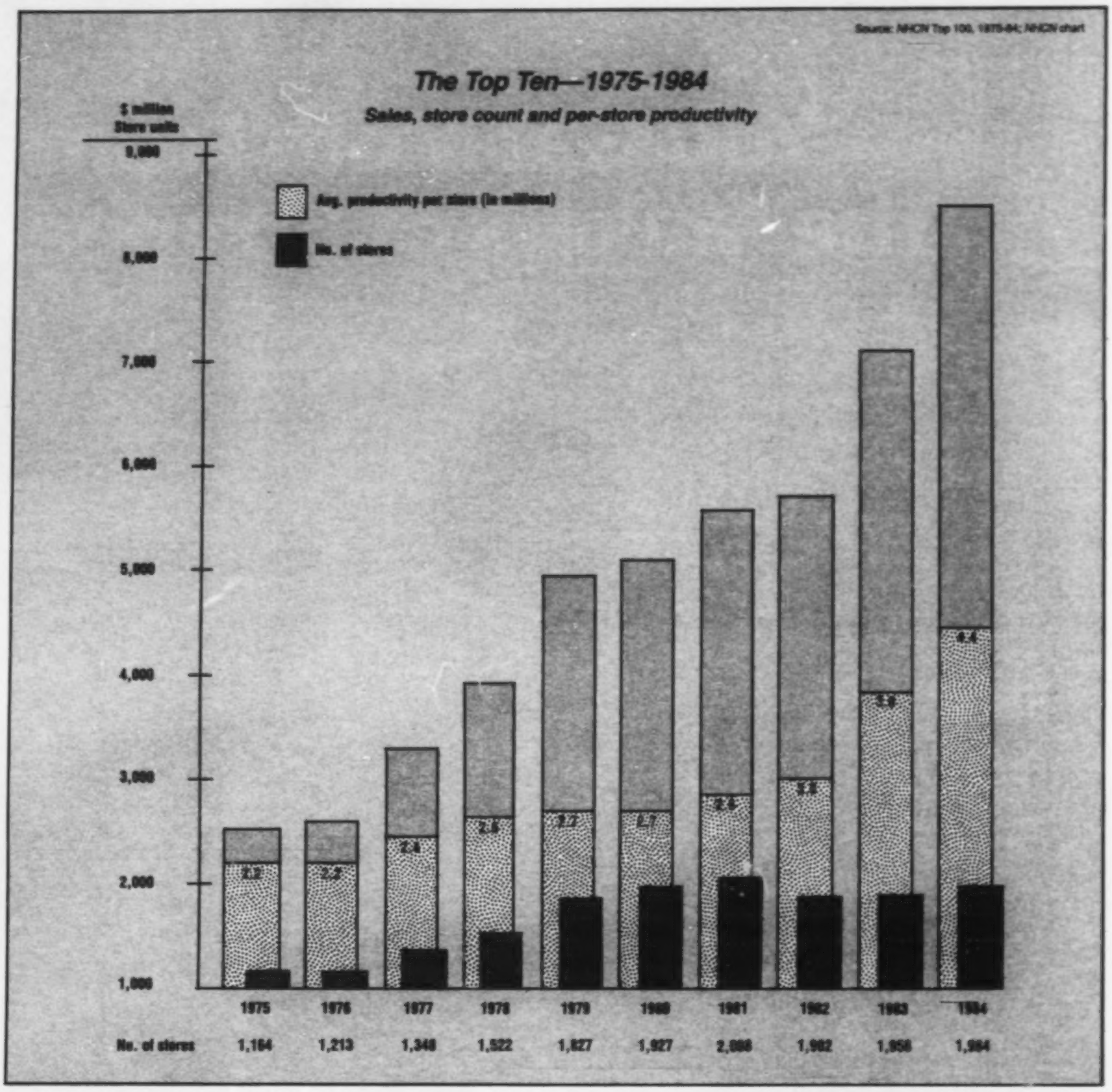
A look at some of the key players involved in the chart around 1980 reinforces this view. National Building Centers, a chain of 155 units owned by Lone Star Industries, dropped out of the picture entirely after its break up in 1979. The following year, Boise Cascade, a chain of 108 units, began losing stores steadily. The number of stores in the 124-unit Diamond chain began to drop annually after 1980 and the number in the 340-unit Wickes followed the same pattern after 1981.

At first glance, it might seem that all of these chains dropped off the chart (with the exception of Wickes) because they were losing stores. In fact, the chains that replaced them had fewer stores.

Scotty's, with its 72 stores, climbed aboard in 1978. Hechinger, with 34 stores, joined the list in 1982. And the Home Depot, with its 31 stores, was added in 1984.

Clearly, after 1980, the home center chains had taken over. Rapid increases in store productivity were being achieved in most cases partly by adding consumer traffic to the contractor trade, a tactic also designed to protect the firms from disaster in future recessions.

(Continued on page 10)


Source: NHCN Top 100, 1975-84; NHCN chart

The Top Ten—1975-1984

Sales, store count and per-store productivity

1975

Lowe's was the No. 1 home center chain in 1975, when it moved some $465 million worth of goods out the doors of 130 stores. Wickes, in the No. 2 spot, sold over $460 million worth of merchandise, while Evans clocked in at $300 million.

At the same time, the downturn in new housing led Wickes to pursue more of what it termed "the aftermarket," or the business of do-it-yourselfers. The slump hurt Wickes more than some other larger chains, since the share of its sales moving to contractors was larger.

Lowe's said it would add 25 additional stores in 1976, and would move into Louisiana. As did Wickes, Lowe's moved to attract more consumer business. The chain added housewares, for example, in the summer.

Evans added a new type of store to its mix, called Inside Outlet. These small stores, specialty outlets for paint and decorative accessories, debuted in Connecticut in September. The chain also increased its stock keeping unit count in the larger Grossman's stores from the usual 4,000, to a total of 5,000 to 6,000.

National Building Centers (NBC), a subsidiary of Lone Star Industries, Greenwich, Conn., experienced a decline in total sales again in 1975, even though it had acquired the chains of Ward and Harrington, and W. E. Cooper, both based in the Los Angeles area.

84 Lumber moved into Oklahoma and Florida for the first time, and added consumer oriented showrooms, which it dubbed "Junctions," onto many of its existing lumberyards.

In other 1975 news:

- Bernard Marcus, president of Handy Dan, said his chain's profitability would not be affected by the bankruptcy of parent firm Daylin.
- Busy Beaver opened its first consumer-oriented "super center" in March, in McCandless, Pa.
- John A. Walker, exec vp of Lowe's, told security analysts he expected the chain to hit $1 billion in sales by 1981.
- K mart said in June it would put home improvement departments in all of its big new stores.

1975

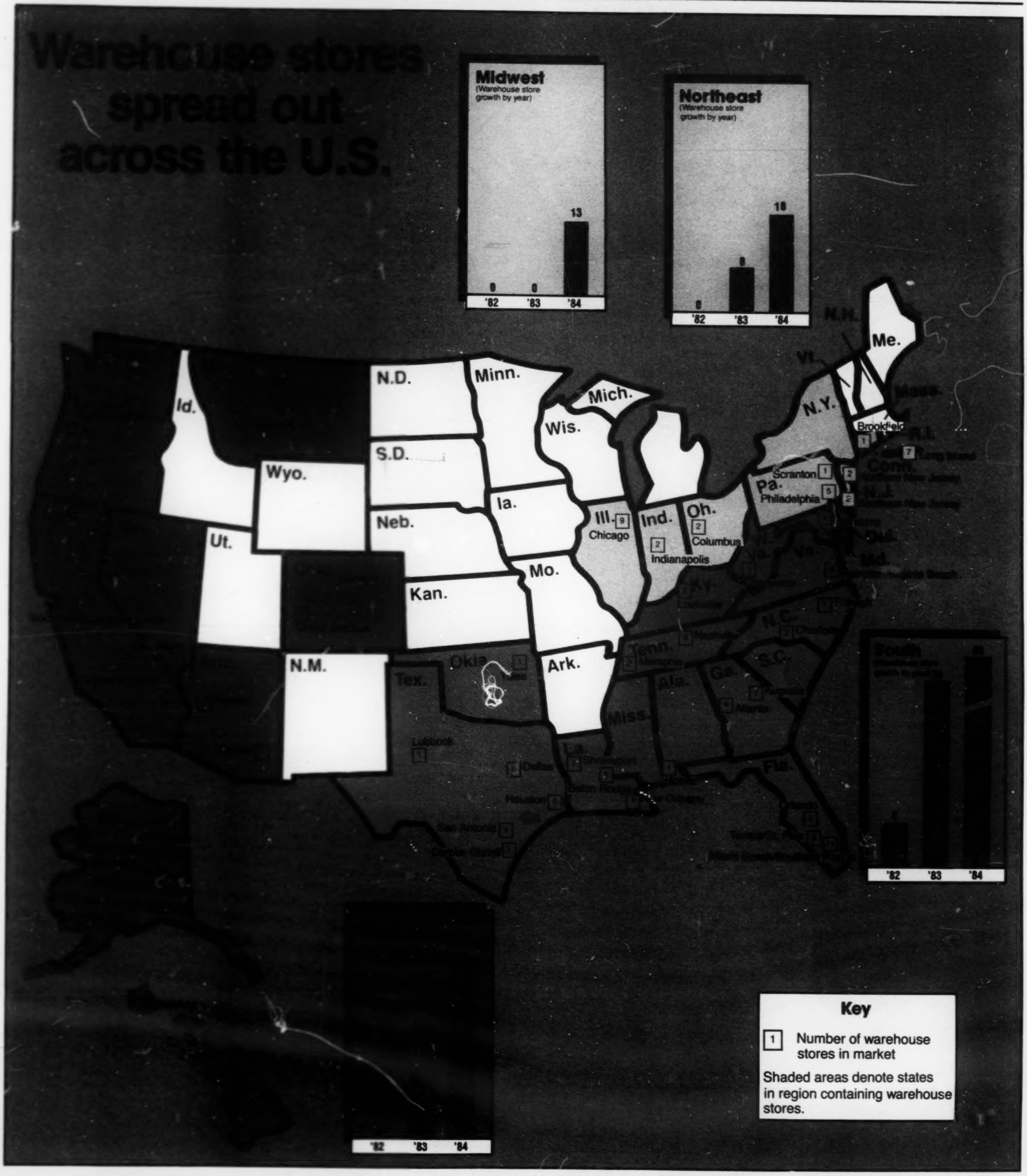
Chain	Total Volume (millions)	% DIY	No. of Units
Lowe's	465*	48	130
Wickes Lumber	460	48	262
Evans (Grossman's, Moores, Hubbard & Johnson, Inside Outlet)	300	75	240
Diamond International	300**	35	63
National Building Centers (Cooper, Ward and Harrington, Sun, Stewart, Warner, Lindsley, Pinellas)	262	51	141
84 Lumber	200**	90	152
Builders Emporium	180**	100	50
Edward Hines	170	45	27
Handy Dan	118	100	57
Payless Cashways	102	95	42
Total	2,557		1,164

*Year ended July 31, 1976
***NHCN* estimate

Source: *NHCN*

10-year review of industry's top 10 continues, page 106

Warehouse stores spread out across the U.S.


Midwest
(Warehouse store growth by year)
0
0
13
'82
'83
'84
Northeast
(Warehouse store growth by year)
0
8
18
'82
'83
'84
South
'82
'83
'84
'82
'83
'84
Id.
Wyo.
Ut.
N.M.
N.D.
S.D.
Neb.
Kan.
Minn.
Ia.
Mo.
Ark.
Wis.
Mich.
Ill.
9
Chicago
Ind.
2
Indianapolis
Oh.
2
Columbus
N.Y.
Pa.
Scranton
1
Philadelphia
5
2
2
Brookfield
1
7
Long Island
Conn.
Northern New Jersey
N.J.
Southern New Jersey
Me.
Vt.
N.H.
Mass.
R.I.
Del.
Md.
Va.
Ky.
Louisville
Tenn.
3
Nashville
2
Memphis
N.C.
2
Charlotte
1
Raleigh
S.C.
Ga.
1
Augusta
4
Atlanta
Ala.
Miss.
La.
1
Shreveport
1
Baton Rouge
New Orleans
1
Mobile
Fla.
Orlando
2
Tampa-St. Pete
Miami Beach
Tex.
Lubbock
1
Dallas
Houston
5
San Antonio
4
Corpus Christi
1
Okla
1
Tulsa
Key
1 Number of warehouse stores in market
Shaded areas denote states in region containing warehouse stores.

Bare-bones phenomenon drives industry

NATIONAL REPORT — The warehouse phenomenon continued to drive the industry during 1984. At year's end, 19 chains operated 129 warehouse stores compared with 11 chains running 45 stores at the end of 1983.

In addition, 50 American cities were populated with the giant, bare-bones outlets compared with only 17 at the end of 1983.

Still, 1984 was probably a watershed, the last year that a substantial number of new players would enter the warehouse sweepstakes, one of the newer players was K mart, the nation's second largest retailer, which bought Home Centers of America in June for $90 million and promised that its Builder Square stores would soon own about 25% of the country's building supply warehouse stores.

Indeed, the trend toward consolidation of the warehouse segment of the market was apparent in that just three of 19 players—K mart, The Home Depot and Mr. HOW Warehouse—opened 42% of the new warehouse stores.

Home Depot purchased ailing Bowater Home Centers for $20 million late last year, securing a position in Dallas, and Mr. HOW bought an immediate five-store presence in Chicago early this year with the purchase of Forest City's warehouse stores.

It's likely that this survival of the fittest and best financed will continue through this year when the warehouses begin to knock heads in California, Houston, Detroit and probably elsewhere. To assure survival, warehouse operators spent much of 1984 coming to grips with the problems of developing people fast enough to manage and staff exploding empires and trying to get their computer systems up to speed.

While fewer chains may be operating more warehouse stores, the warehouse phenomenon has already served as an epiphany to operators who have learned that more volume can be squeezed from a store, no matter what its size.

This faith has been adopted by much of the industry outside the core of true believers that do more than a million a month in business, from stores of at least 70,000 sq. ft. that are mostly direct shipped.

"H" frame racks and bulk stacking, symbolic of the warehouse look, are now common throughout the industry. Even hardware stores, through HWI, can obtain special fixture extensions that produce a warehouse look and added storage area.

Indeed, warehouse companies last year faced tough competition more from traditional operators fighting to maintain market share than from each other.

As one Payless Cashways customer noted when Home Depot invaded Phoenix, "everybody's gotten very competitive.

"Lately, Angels and O'Malleys are as cheap as everybody else," he added. "In the last five years a good deadbold cost $15 to $20. Now everybody is selling it for $7.99."

(Continued on page 35)

Whse phenomenon continues to drive industry

(Continued from page 33)

This satisfied customers, but bruised margins. However, that was part of the warehouse legacy last year, as warehouses expanded relentlessly, although slower than planned because of site location problems, and traditional retailers dug in.

"Home centers are doing a better job of matching prices selectively and are promoting their strengths like customer loyalty and personal service," said Leon Borcher, analyst with American Express. "They are putting together a plan not just responding."

Among the operations that responded by borrowing from the warehouse approach was Rickel, whose 40 stores in the Northeast are traditional outlets in convenience locations. In Warminster, Pa., outside of Philadelphia, the chain opened a store with warehouse racking and the omnipresent stenciled banners.

Similarly Builders Emporium's superstore, opened in Tustin, Calif., in March 1984 has warehouse racking in a clean 50,000-sq.-ft. space intended to show that the chain can be lean and hungry without being down and dirty. Pay 'N Pak in retrofitting its stores has followed a similar strategy.

W. R. Grace's Handy Dan, Handy City and Channel chains are taking on a similar look, based on Grace's seven-store House Works, which was dubbed a warehouse when launched in 1983 but renamed a superstore in 1984.

Grace spent much of last year planning for the birth of a chain that it is calling a true warehouse, Home Quarters, which opened with two units in the Tide Water area of Virginia early this year.

People Change

That chain is headed by Frank Doczi, formerly of Moore's, which reflects another dramatic impact of the rapid warehouse store expansion: people opportunity. Home Depot has installed an entire middle tier of management from merchandising to operations by attracting people from outside the industry and from within, like Bruce who left Wickes Lumber to bring cold weather merchandising to Home Depot as the chain plans its assault on Detroit and other points north.

Bill Dorf left Rickel to become vp-gmm of Homeowners Warehouse, now known as Mr. HOW Warehouse and then left Mr. HOW for Mr. Goodbuys. He was replaced at Mr. HOW by Jack Kopkin from Grossman's California Warehouse division.

The cross pollination only accounts for the generals and their staffs, however. Warehouses still were faced with seeing that the troops followed orders and that they knew what the ordrs were.

"The biggest concern we have is making sure the stores we open are not dilutive of what a Home Depot should be," said Depot president Arthur Blank. "They must be staffed with well-trained people."

Depot, with 4,000 employees, included a week-long training program for new recruits for any position from assistant manager up.

A three-week program to train managers was instituted by HomeClub, which the chain calls its "boot camp."

Computerization

The task facing these mostly green warehouse armies is delivering the goods and doing so competitively. Last year the computer became an important part of the arsenal.

When Home Depot opened its first two stores in June 1979, ushering in the warehouse age, the chain used traditional manual inventory tracking methods. Even two years ago, in February 1983, when Home Centers of America opened the first store in the chain now known as Builder Square, did inventory by hand.

Both Home Depot and Builder Square are now plugged in and when Home Quarters opened early this year its system was already set up.

New Challenge

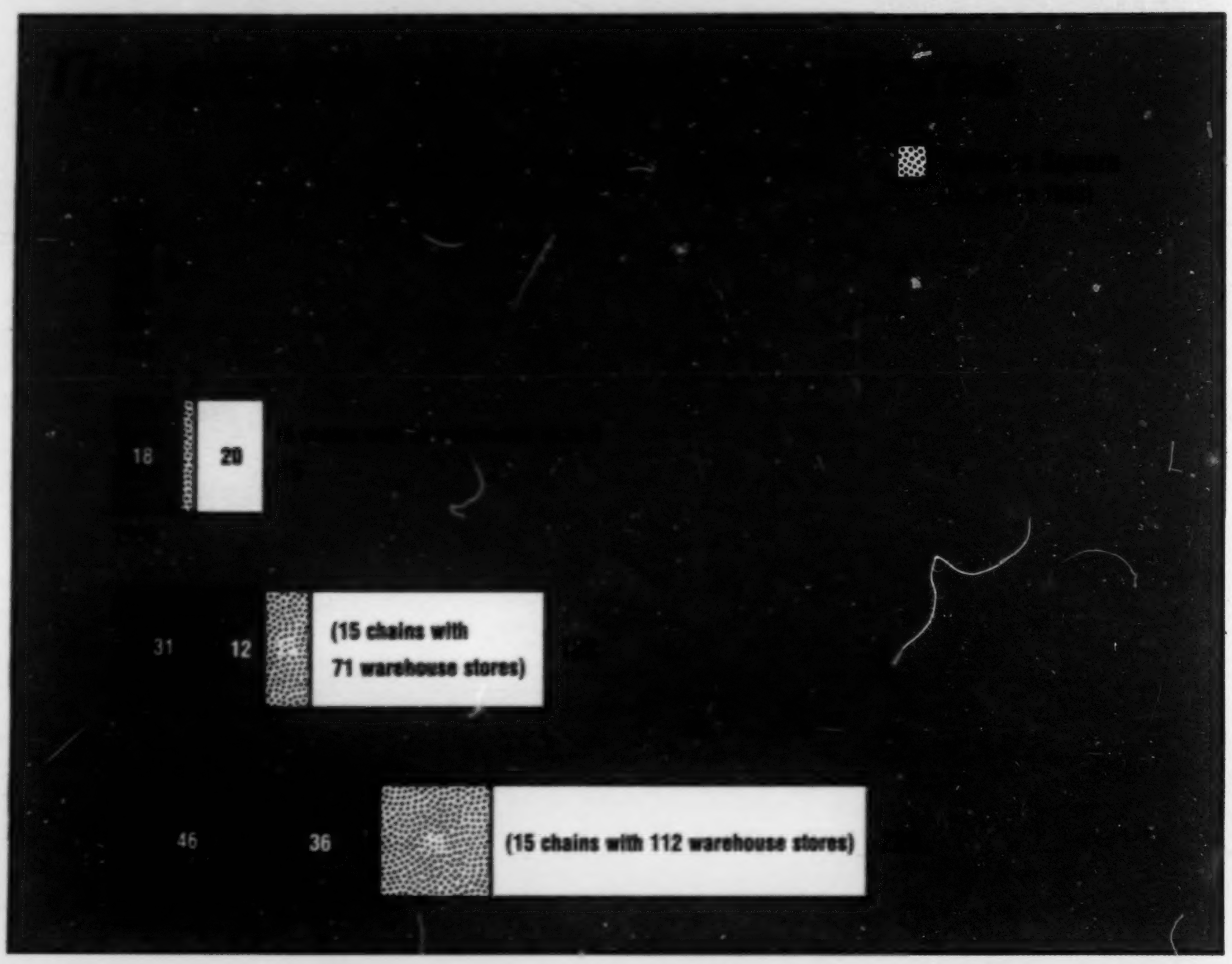
With money, markets, people and computers in place it would seem that the warehouses could now do no wrong.

Some analysts warn that companies like Builder Square and Mr. How, backed, respectively, with the financial might of K mart and Service Merchandise, could be sacrificing site quality and demographics in the rush for markets.

"It's not really the depth of the pocket that's important," said Ed Gagnon, security analysts with Eppler, Guerin & Turner, Dallas," for the deeper the pocket, the bigger the losses.

And 1985 will be the year when the world learns just how many home centers southern California can support, after the entrance of Home Depot; whether Houston is big enough for Depot and Builder Square and whether shoppers in Detroit, Cleveland and other points north are as eager to stack their station wagons with ceiling fans and lumber and other items drawn from caverous locations sometimes a longer driving distance away than they're used to.

The warehouse section of this issue was researched and developed by Elizabeth Brent.



	No. of stores			Markets in 1984	Av. sku's (thousands)	Av. sq. ft. (thousands)
	'84	'83	'85p			
The Home Depot, Atlanta (1979)*	31	18	46	Atlanta; Clearwater, Tampa, N. Miami Beach W. Palm Beach, Orlando, Fort Lauderdale, Hialeah, Hollywood, Fla.; Phoenix, Tucson, Ariz.; Dallas; New Orleans, Baton Rouge, Shreveport, La.; Mobile, Ala.	25	76.8
Mr. HOW, Margate, Fla. (1983-Formerly HomeOwners Warehouse)	12	2	36	Coconut Creek, Melbourne, Fla.; Augusta, Ga.; Columbus, Reynoldsburg, Ohio; Langhorne, Pa.; Turnersville, N.J.; Virginia Beach, Hampton, Va.; Nashville; Chicago (Burbank)	25-30	70
Builders Square (K mart) San Antonio (1983)	15	5	35	San Antonio, Corpus Christi, Houston, Lubbock, Tex.; Chicago; Tulsa	33	75
Grossman's (Evans), Braintree, Mass. (1983)	12	5	15e	Ventura, Stockton, Montebello, Modesto, Long Beach, Calif.; Long Island; Oldbridge, Lawrenceville, N.J.; Brookfield, Conn.; Scranton, Pa.	7.1	25-60
Homecrafters, Birmingham, Ala. (1983)	9	1	11	Denver; Louisville; Memphis, Nashville	20-25	70
Pay 'N Pak, Kent, Wash. (1983)	8	1	19	Honolulu; Kennewick, Bellevue, Wash.; Grand Junction, Colo.; Billings, Mont.; Fairbanks, Anchorage, Alaska; Eugene, Ore.	16	55
HomeClub, Fullerton, Calif. (1983)	6	2	15	Fullerton, San Jose, San Bernardino, Fountain Valley, Norwalk, Calif.; Las Vegas, Nev.	14	100
Mr. Goodbuys, Philadelphia (1983)	6	4	10	Union, N.J.; Castor, Philadelphia, Pa.; Baltimore	20	80
Houseworks (W. R. Grace), San Antonio (1983)	6	6	6	Kenner, Chalmette, Meraux, Metairie, Harahan, La.; Sarasota, Fla.	30	60
Forest City, Cleveland (1984)	5	0	7	Chicago	25	65
Lindsley's (Evans), Miami, (1984)	4	0	4	St. Petersburg, Clearwater, Seminole, Pinellas Park, Fla.	20	40
Moore's (Evans), Roanoke, W. Va. (1984)	4	0	4	Charlotte, N.C.; Charleston, W. Va.; Virginia Beach	10	80
Pergament, Melville, N.Y. (1983)	4	1	9	Long Island	30-35	60
Housemart (Sutherlands), Kansas City, Mo. (1983)	2	0	2	Indianapolis	25	100
Supply One, Reno, Nev. (1984)	2	0	5	Reno-Sparks, Nev.	30	26
Rickel, South Plainfield, (1984)	1	0	1	Warminster, Pa.	22	50-55
Builders Emporium (Wickes), Santa Monica, Calif.; (1984)	1	0	1	Tustin, Calif.	25	50
Hechinger, Landover, Md. (1984)	1	0	3	Raleigh, N.C.	25	80
TOTAL	129	45	229			

*Date first warehouse store opened
e Estimate
p Projection

Source: *NHCN* research

FURNITURE
DOORS/WINDOWS
PAINT
WALLPAPER

Lawn & garden depts. expand as consumers spruce up their yards

NATIONAL REPORT — The Lawn, Garden & Power Equipment Exposition that debuted in Louisville, Ky., last year could be said to represent many current trends occurring in the highly fragmented lawn and garden industry over the past year.

Not only was it one of the first large-scale attempts to make the industry more cohesive, but also reflects the expanding market found in all facets of this business.

Outdoor power equipment, lawn and garden "hardware," live plants and patio furniture departments are all expanding, reflecting consumers' increasing interests in their backyards as well as their houses.

Home centers are not missing out on this bonanza. Although they've traditionally carried much lawn and garden "hardware"—outdoor power equipment, garden hand tools, bug killers, garden hose and the like—for years, as well as chemicals, live plants are becoming increasingly popular.

In fact, 1984 could be called the year of the live plant.

Such home center chains as Lowes, based in North Wilkesboro, N.C.; Scotty's, Winter Haven, Fla., and 18-unit Stiles Ace Hardware, Bloomington, Ill., started live plant departments and nurseries for the first time last year. They are often headed by professional nursery buyers.

Even those chains that already carry live plants reported successful years, with sales increases as high as 40% up on 1983.

Both lawn mowers and patio furniture have also witnessed strong sales last year, with expectations for them to continue through 1985.

In addition, consumers are buying higher ticketed, better quality products. Retailers noted that although low-end promotional lawn mowers might bring customers into the stores, they tend to purchase the higher-ticketed items with extra features once they are there.

There has been an influx of new patio furniture manufacturers entering the marketplace in the past couple of years —Samsonite has now come out with a patio furniture line, while makers of high-end lines like Calder and Omni are finding increasing home center interest in their products.

The average margins for lawn and garden products are about 30% in both home center and lumberyard/hardware stores, and four to five annual turns are experienced in both store types, according to National Retail Hardware Assn./Home Center Institute (NRHA/HCI) figures.

However, the NRHA/HCI estimates that sales per square foot in lawn and garden products is only $90 in home centers, but almost double that—$174 per square foot—in lumberyard/hardware stores.

Lawn & garden: Departmental contribution & productivity

	$ sales per sq. ft. sales area	Gross margin %	Sales to inventory ratio	GMROI
Retail home centers*	89.53	29.5	5.2x	1.55
Lumber/building material outlets**	173.68	30.0	3.8x	1.14

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

Source: National Retail Hardware Assn.; Home Center Institute

At Lowe's Wilmington, N.C., store, a customer eyes electronic bug killers on a freestanding display. NHCN photo

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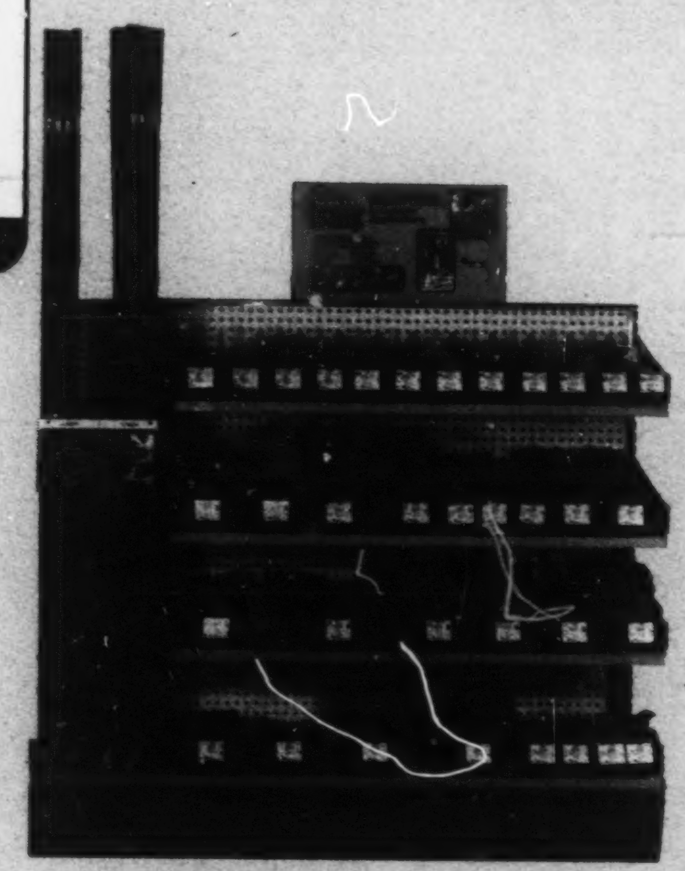

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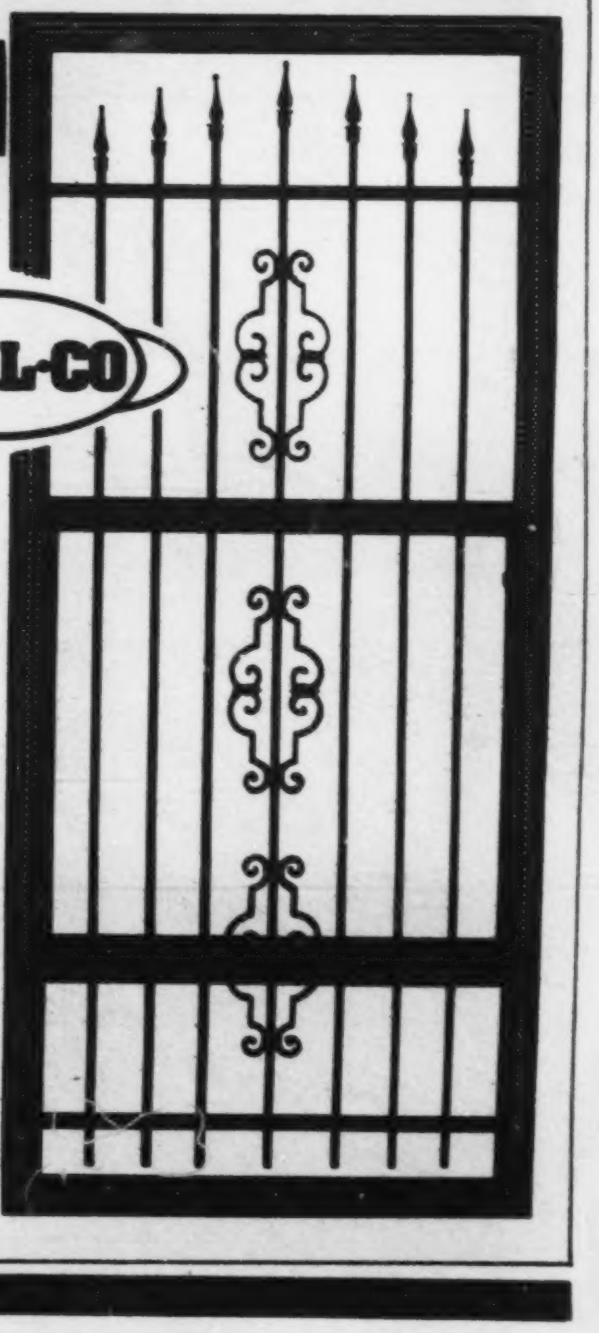

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THE *NHCN* ANNUAL REPORT

Building materials head upscale; vendors intro new packaging

Building materials: Departmental contribution & productivity

	$ sales per sq. ft. sales area	Gross margin %	Sales to inventory ratio	GMROI
Retail home centers*	280.76	27.5	6.6x	1.82
Lumber/building material outlets**	405.29	27.4	6.1x	1.66

CLARK
Rental System

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

Source: National Retail Hardware Assn.; Home Center Institute

NATIONAL REPORT — Building materials, the "staple" of the home center industry, continued their "upscale" swing in several product categories during 1984.

Last year, building materials accounted for 21.3% of net retail home center sales, the largest category in terms of net sales, according to the National Retail Hardware Association/Home Center Institute. The department also accounted for the largest dollar sales per square foot of sales area, at $280.76.

Retailers are looking for that figure to move upward as the tastes of their building material customers become more expensive. This trend was apparent in roofing, doors and windows, ceiling tile, wood flooring and caulking and sealants.

Another important trend in 1984 was a greater push by many manufacturers of building materials toward more "consumer friendly" packaging that, in many cases, would also give some of the anonymous building products brand identification in the minds of both retailers and the public.

Owens-Corning took square aim at consumers several years ago with the use of the Pink Panther to promote insulation, and this month, the panther will be used to push other O-C products. Manville and CertainTeed promoted their insulation packaging's handling care.

Georgia-Pacific and Weyerhaeuser are using color codes and improved graphics on their packages. While Weyerhaeuser is late coming out of the gate, Georgia-Pacific hopes to complete its repackaging efforts by the later part of this year. The Atlanta-based company got a jump on the competition by repackaging its nail products several years ago.

The supply of gypsum seemed to be adequate last year after shortages in 1983 when production fell short of the demand surge caused by housing's turnaround.

Gypsum board was even being touted in 1984 as a decorative product, wtih the introduction of boards printed with wallpaper designs.

The categorywide trend of pursuing upscale tastes was manifested in a variety of ways.

Roofing manufacturers, for example, offered a wider choice of decorative or architectural roofing, which creates a variation of tone or even the look of natural materials like wood shakes.

Door and window sales have been reaping sales gains of between 15% and 25% over the last several years and retailers expect millwork to become the leading high-ticket category for consumer purchases. In addition, retailers saw a swing toward the upper end of the market in terms of door and window sales, while buildup in market share by steel exterior doors continued.

Dealers in the Northeast and Midwest said they saw growing popularity for swinging patio doors. And retailers in Texas and the Southwest reported that prefinished wood windows may be overtaking aluminum windows, which have long dominated those markets.

Consumers' tastes are becoming more expensive in ceiling tiles as well, and manufacturers are increasing the range of products in the category. While the standard, "plain vanilla" white ceiling tile and exposed metal grid drop ceiling remains the best seller, more attractive, upper-end tiles are gaining greater market share. Manufacturers are making different textured tiles and ceilings that go to great lengths to hide or disguise the ceiling grids.

Another category in which consumers' tastes seem to be changing is wood flooring, which is becoming more popular with the public and is appearing in more and more home centers.

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Displays and selection keys to hardware sales

Hardware: Departmental contribution & productivity

	$ sales per sq. ft. sales area	Gross margin %	Sales to inventory ratio	GMROI
Retail home centers*	144.79	38.7	4.2x	1.62
Lumber/building material outlets**	162.07	32.9	3.4x	1.12

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

Source: National Retail Hardware Assn.; Home Center Institute

NATIONAL REPORT — Broader product assortments, coupled with more compact "service-oriented" displays, were the main emphases for home center hardware department in 1984.

Less merchandising in bulk, stronger packaging (some of it done by store employees at a number of chains) and a reduced emphasis on price alone were key factors in the marketing of hardware by home centers, which last year accounted for an estimated 30% to 35% of what manufacturers said was a $10 billion retail market.

Chains such as Lowe's, West Building Materials, Builders Emporium and Levy's Lumber were among the chains installing new, or modified, hardware merchandising programs last year, enabling them to use less square footage to display just as much, if not more, products. In Lowe's case, the company has increased its hardware sku's by 50% since 1979, partly because its stores have gotten bigger, but also because the products are better, more systematically organized.

Even warehouse units with large selling floors have, in some cases, reverted to installing pegboards inside of H-frames to give their hardware displays a better appearance that makes them easier for consumers to shop. A company such as W. R. Grace's House-Works, which will stock as many as 50,000 packages of hardware in one store, needed a display that presented the hardware merchandise as economically as possible.

There were a number of reasons dealers paid so much attention to in-store merchandising of hardware last year. One was that the category, left unattended, can grow like crabgrass, primarily because there are any number of slow-turning fastener and other hardware items dealers need to carry to present an image of "completeness."

Secondly, retailers were aiming their promotions of decorative and cabinet hardware more at the female shopper in 1984 who, they assert, prefers to buy products in a less complicated retail environment.

Most dealers contacted by *NHCN* said they were getting as high as 50% maintained margins on hardware. However, on the hottest-selling merchandise, this isn't always the case. Take ladders, for instance. Home centers now account for 40% of the market's sales, and virtually every chain promotes the products year-round at margins as low at 10%.

Even the introduction of higher-priced ladder "systems" whose $200 to $400 price point promised better, more consistent margins, did little to reverse this trend, as consumers were reluctant to spend that much on a product they see on sale all the time.

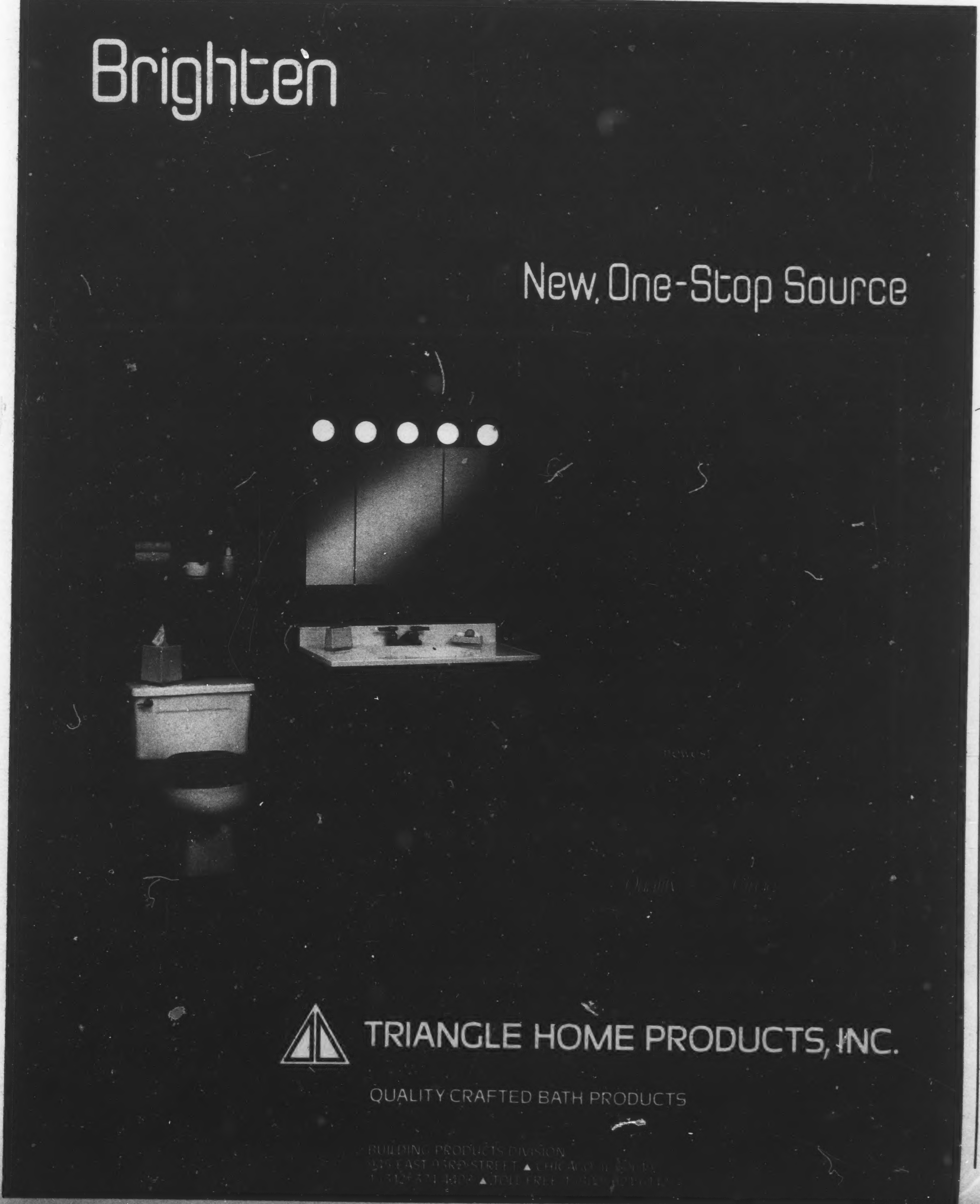
In fact, margins on hardware in general appear to be slipping a bit for home centers, according to a study on the industry's performance conducted by the National Retail Hardware Assn.

Home center retailers surveyed in NRHA's "Bottom Line" study reported gross margins for hardware of 38.7%, compared with 40.9% in 1983. Not surprisingly, these dealers' Gross Margin Return on Investment also fell to 1.62 last year, from 1.88 the year before.

However, all the industry's attention to compressing their stores' hardware departments into smaller, more efficient units, appears to have paid off in higher sales. The NRHA study showed that sales per-square-foot in the category rose last year to $144.79 for home centers, vs. $139.13. And hardware, as a percentage of a unit's total volume, increased to 11.1%, compared with 1983's average of 9.8%.

These numbers are even more interesting when weighed against similar figures for lumber and building materials outlets, some of which told *NHCN* last year they were still having some difficulty cross-merchandising hardware with commodities to achieve higher "project" sales.

Sales per-square-foot for hardware in these units equalled $162, but it appeared lumber stores were more promotion-minded than the home centers. Their gross margins were only 32.9% in the category, GMROI was 1.12 and inventory turns averaged 3.4 times a year.



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Fragmented paint market spurs new strategies

NATIONAL REPORT — The retail paint market remained highly fragmented in 1984, as home centers devised new merchandising tactics to bolster what has become for most a slow-growth, low-margin commodity.

Retail paint sales, by most manufacturers' estimates, topped $4 billion in 1984. But the market is only growing at a 4% clip, so home centers have found they needed to bite and claw for every paint dollar their stores generated.

These dealers continued to be badgered by the competitive headaches presented by specialty paint stores, which can generally offer a wider variety of paint and sundries items than a home center, where paint margins are often 10% to 20%.

Another problem that plagued home centers was the marketing of paint brands everyone else in the area seemed to be carrying and promoting. In last October's *NHCN* Consumer Attitude Study, Glidden and Olympic continued to be the paint and stain brands identified by the highest percentage of dealers as best sellers.

Consequently, some dealers opted last year for carrying lesser-known paint lines. PPG Industries and Lucite (which is owned by Olympic's parent, Clorox) made major drives last year to penetrate the home improvement market more deeply.

Other dealers, like Lowe's, converted their programs to private label paint (although in Lowe's case, its stores still use the same supplier, Enterprise Cos.). Stambaugh-Thompson, in fact, hired a marketing research firm to come up with a promotional strategy for selling its private label paint as it moved into new Ohio markets.

Despite these efforts and others by home centers, profitability appeared to decline among those retailers polled in research published by the National Retail Hardware Assn.

In its 1984 "Bottom Line" study of the industry, NRHA showed that paint margins (which were combined in a category called paint and home decorating) fell by more than a full percentage point for home centers from last year, to 36.1%. Sales per square foot dropped to $131.07 from $137.37 in last year's study. However, turnover of paint in these stores picked up to nearly six turns annually, and GMROI rose marginally to 2.14.

Lumber and building materials centers had considerably fewer turns on paint in their stores, and sold the products at margins nearly five points lower than home centers. But these units' sales per square foot, equaling $168.93, probably resulted from the amount of paint sold in large quantities to their contractor customers.

The impact warehouse stores have had on the industry's profitability grew last year as the number of warehouses expanded. There is not much competitors could do last year to counter a Mr. HOW Warehouse moving into Philadelphia, for instance, and selling Glidden paint at under $4.50 per gallon.

And it is oftentimes difficult for retailers to come up with workable marketing plans for paint because, in some markets, it isn't always clear which dealer has how much market share. In an industry where paint can be sold in supermarkets, any systematic competitive response by home centers can be futile.

However, home centers were faced with more than just the problem of who was selling paint in their markets. Unexpectedly, sundries—the products from which most dealers get the bulk of their paint departments' profits—became unusually competitive in 1984, with dealers slashing margins.

This sudden promotion of sundries can be pegged to the influx of low-end (and, by most estimations, cheap quality) imports, which last year accounted for 15% of unit sales and 5% of the industry's $550 million to $700 million in total retail volume.

All this promotional activity comes at a time when retailer interest in the sundries category was sparked by the increasing sales of electrical equipment such as power rollers and airless spray guns, some of the fastest-moving items for home centers in 1984. But here, too, price cutting and promotions eroded dealer margins on this higher-ticket fare.

Paint & home decorating: Departmental contribution & productivity

	$ sales per sq. ft. sales area	Gross margin %	Sales to inventory ratio	GMROI
Retail home centers*	131.07	36.1	5.9x	2.14
Lumber/building material outlets**	168.93	31.6	3.8x	1.21

PAINT
HQ
WALLPAPER
21

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

Source: National Retail Hardware Assn., Home Center Institute

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Sales forecast bodes well for plumbing growth

Plumbing, heating & cooling: Departmental contribution & productivity

	$ sales per sq. ft. sales area	Gross margin %	Sales to inventory ratio	GMROI
Retail home centers*	132.94	37.8	4.8x	1.81
Lumber/building material outlets**	222.30	27.5	3.6x	0.99

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*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

Source: National Retail Hardware Assn.; Home Center Institute

NATIONAL REPORT — Retailers experimented with a variety of new products in their plumbing, heating and cooling departments in 1984, to capitalize on what one study projected would be "unprecedented sales growth" in the category over the next five years.

Most dealers concurred with this study, conducted by the market research firm Predicasts Inc., and saw a direct correlation between the amount of floor space allocated to this merchandise in their stores and the sales increases generated.

Plumbing is standard fare in home centers, and last year fittings, piping and faucet lines were greatly expanded at a number of chains. Much of this expansion is the residual effect of an exploding kitchen and bath department. But fundamentally, most dealers told *NHCN* that the greater the number of items they stocked in plumbing, the more "credible" their stores' departments were.

Heating and cooling, however, is another matter entirely. Dealers are always looking for that one product—in the past, the ceiling fan or kerosene heater—that can produce massive seasonal sales at respectable margins.

Consequently, dealers tried all kinds of heating and cooling merchandise in their stores last year, including air-conditioners, furnaces, oil filled radiators, tankless water heaters, more elaborate electronic thermostats, and so on. Some of these sold, others didn't, and the question about whether home centers are the right retail environment for the sale of heating and cooling products has not been completely answered.

But in the main, plumbing, heating and cooling products performed more than adequately for home centers, according to a study conducted by the National Retail Hardware Assn. last year.

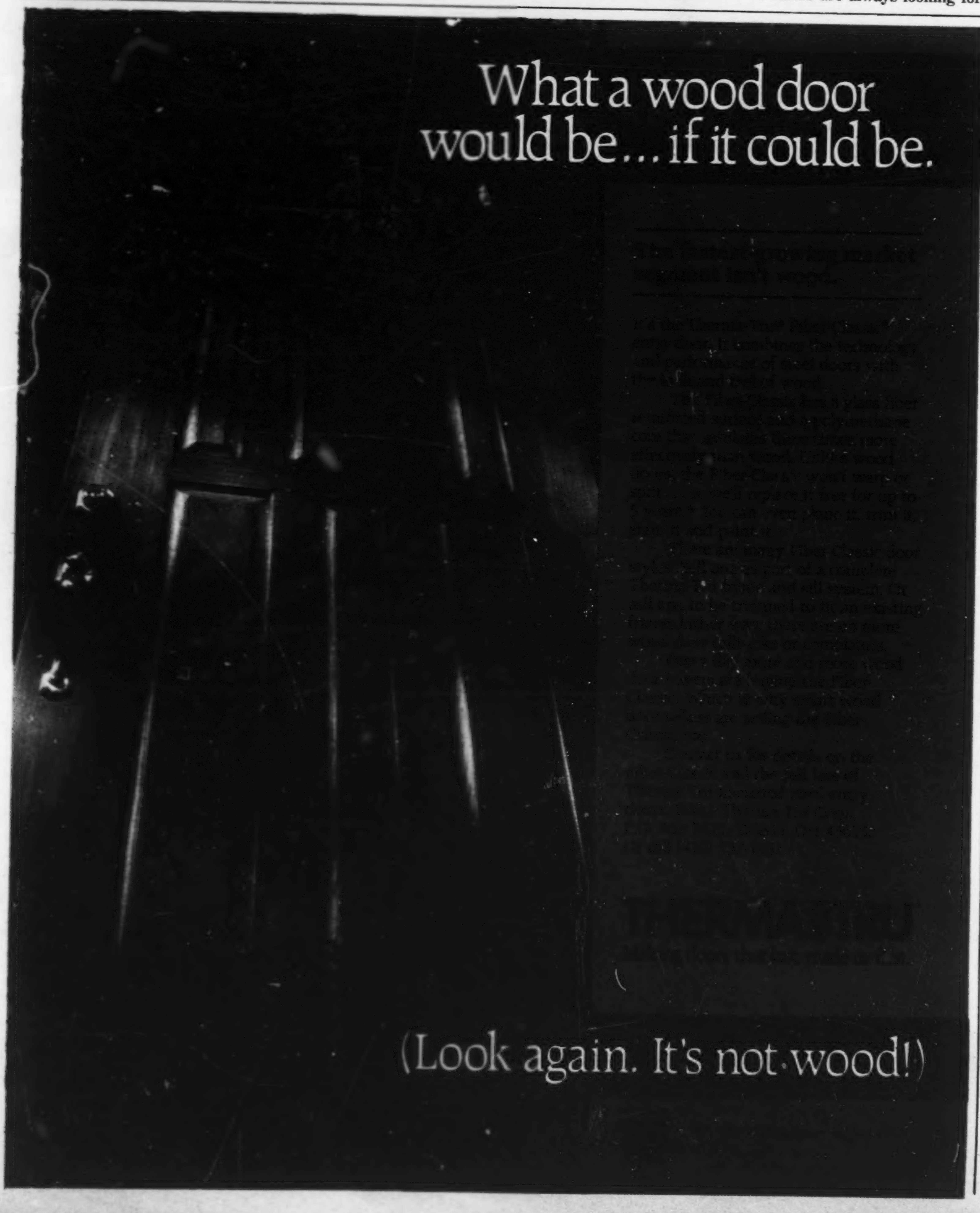
In its "Bottom Line" suvey, NRHA found that dealers had increased the amount of floor space devoted to these products slightly, but saw significant gains in their sales per square feet, gross margins, GMROI and percentage of total store volume from the category in 1984. That the sales per square foot number rose to $132.94, from $121.78 in last year's study, indicated the success dealers have had with their cross merchandising efforts

In lumber and building materials centers, NRHA found that while sales per square foot were considerably higher than for home centers, these stores' profitability in the category (as manifested in only a 0.99 Gross Margin Return on Investment) fell behind the typical home improvement operation.

- **Plumbing**—Dealers enjoyed a strong year last year in their plumbing departments, as margins ranged from 35% to 45% in fittings, piping and other items. The expansion of lines to accommodate the growth in kitchen and bath sales was evident throughout the industry. And dealers agreed that the more space they gave to plumbing, the higher their sales.
- **Heaters**—This market segment, in the words of one home center buyer, was "in total confusion" in 1984. The kerosene heater market was vastly reduced to around 2 million to 3 million unit sales annually. And Kero-Sun, under its new name K&S Associates, failed to rise from its bankruptcy reorganization and become one of the five or six remaining companies still supplying this volatile product.

The volatility of the category, in fact, gave retailers some reason to experiment with new items, and there was some interest in unvented gas heaters, as well as new electric models. In addition, oil filled heaters continued to find their way into more stores.

- **Fan and ventilation equipment**—Portable fans were another highly competitive item in this category, and dealers appeared willing to sacrifice margin to get enormous, seasonal volume from these products.
- **Air-conditioners**—Several manufacturers, such as Fedders and Moss, introduced products specifically for DIY sale. However, while some dealers, particularly the warehouse stores, took on air-conditioners, many questioned whether they were worth carrying, especially because of the service they require.



Hand tools: Departmental contribution & productivity

	$ sales per sq. ft. sales area	Gross margin %	Sales to inventory ratio	GMROI
Retail home centers*	131.40	36.0	4.0x	1.38
Lumber/building material outlets**	134.79	31.4	3.6x	1.12

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

Source: National Retail Hardware Assn.; Home Center Institute

Bench tools head resurgence; vendors stress quality, price

NATIONAL REPORT — 1984 was the year of the bench tool and the price point for the home center industry.

It was also the year domestic manufacturers took a harder line, both in the market and in the courts, against counterfeit merchandise, made mostly overseas, that allegedly infringed on their trademarks and patents. A number of suits —including two against a prominent home center chain—were filed by companies such as Stanley Works, Black & Decker and Hirsh, and are still pending.

The bench tool segment of the market was a microcosm of sorts for the entire hand and power tool category last year. Bench tools, which, according to one manufacturing executive, were "dead in the water three years ago," saw a remarkable revival in 1984 and became some of the hottest tool items sold in home centers.

Dealers and suppliers attribute this trend to the increasing adeptness of consumers in using this merchandise. Plus, with houses getting smaller, consumers want a product that can do more in less space.

Several of the industry's "big" names, including Skil, Benchmark and Makita, all rode the crest of this trend by emphasizing the quality of their bench equipment, as consumers sought to upgrade their purchases to better, higher-end lines.

However, much of this market segment's thrust appeared to have come from the vastly reduced price points on selected "hot" items that were offered by a number of importers. As was the case throughout the hand and power tool market, consumers and dealers kept one eye on quality and the other on price.

Not surprisingly, then, the best selling bench tools—the 8-in. and 10-in table saw, and the band saw—were used as leader items by some chains, especially warehouse stores, despite efforts by the major suppliers to discourage a "price war."

It was, perhaps, inevitable that bench tools fell victim to some degree of price footballing last year, as dealers concentrated more heavily on hand and power tool promotion and shaving price points.

But, because most dealers have, for the most part, eliminated the "junk" in both their hand and power tool lines, their overall profitability in the category has increased. This is reflected in statistics compiled by the National Retail Home Hardware Assn., in its 1984 "Bottom Line" study of the retail Home Center market.

In virtually every measure of sales and profit performance, hand and power tools did better for home centers last year than in 1983. This was particularly true in power tools, where the study showed that sales per square foot for home centers were $154.59, compared with $112.05 the previous year. Gross margins in the category were 36%, compared to 31.9% in 1983.

Sales per square foot and gross margin were also up in the hand tool category last year for home centers. However, Gross Margin Return on Investment in the hand tool segments dropped last year, according to the study, as inventory turnover was slightly off.

While sales per square foot in lumber centers were a bit better than in home centers, the lumberyards were apparently more promotional in selling hand tools, as their profitability indices in the study revealed.

It will be interesting to see how sales and profits hold up this year in the wake of last summer's approval by President Reagan of an International Trade Commission decision to impose import quotas on Japanese steel. This steel is cheaper than U.S.-made products, and

(Continued on page 70)

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DIYers less hesitant to tackle electrical jobs

NATIONAL REPORT—During 1984 consumers were expected to continue gaining confidence in their ability to undertake home improvement projects involving electricity.

According to the *National Home Center News* 1984 Consumer Attitude Survey (*NHCN*, July 16, 1984), 1 of every 10 households planned to purchase an electricals product over the coming year in such categories as interior lighting fixtures, electrical sockets and switches, electric cable and wire and ceiling fans.

Retailers answered the call for expanded electricals departments in 1984 by dedicating 3.5% of their total floor space to that department, according to the National Retail Hardware Association/Home Center Institute.

The allotted floor space gave retailers 7.5% of their net sales and produced $126.60 per square foot of sales area. The category also had a high gross margin, 38.7%. And the gross margin return on investment was rated at 1.95% by NRHA/HCI.

Firm numbers reflecting industrywide electricals sales gains are not available, but some groups report that increases topped 10%. Sales by electrical wholesalers rose 11% last year, to $29.5 million, according to the National Assn. of Electrical Distributors.

Gains were attributed to pent-up demand from the recession of the early 1980's and to the relative housing boom. Also, many suggest, consumers started losing their anxiety about undertaking DIY projects involving electricity by starting with small projects to gain their confidence and expertise prior to investing their time and money in larger projects.

Overall, lighting equipment experienced a sales increase of 1.4% in 1984 over 1983, according to the National Electrical Manufacturers Association, a 550-member group. Sales of lighting equipment, light bulbs, fixtures and other electrical items are expected to rise another 8.5% in 1985, the organization predicts.

Richard Whitley, industry specialist for the International Trade Administration within the U.S. Department of Commerce, reported 1984 sales rose 10% for current-carrying wire devices, products that should see a 6.5% increase this year.

Light fixtures shipments, he said, rose 5.6% in 1984 and should gain another 3% in 1985.

Light bulbs, said one industry manufacturer, rose 7.5% in 1984 reflecting growth throughout the electricals category.

Sales growth for 1985 in all electricals categories isn't expected to be as strong, only about 4% to 5%

The profile of the average electrical DIYer, according to the DIY Consumer Market 1984 Reference Guide, published by the DIY Institute, is male (82%), between the ages of 25 and 34, living in a home 25 years old or older. Women, however, are participating in this category and manufacturers report these numbers, too, are growing.

The guide said the DIYer's top three electrical projects in 1984 were: installed sockets and switches (25%), installed lighting fixtures and ceiling fans (25%) and a rewired room (20%).

The DIY Research Institute reported in its Delphi Study of November 1984 that electrical projects are among the high growth areas of the next five to 10 years with growth projected at 6% a year. Electricals supplies were given a 7% likelihood of growth, in that same study.

Preparations for that growth were evident throughout the home center industry in 1984. Many retailers, including Lowe's, Payless Cashways, Scotty's, Somerville Lumber, Stambaugh Thompson, The Home Depot and Forest City remerchandised their lighting departments to attract greater consumer interest and purchases, especially for women, and Mr. Goodbuy's, the six-unit retailer headquartered in Philadelphia, introduced a lighting department for the first time during 1984.

According to a study produced by Predicasts, by 1990, electricals, which includes wiring, receptacles, boxes, conduit and indoor and outdoor fixtures, will be a $1.1 billion business.

Electrical supplies: Departmental contribution & productivity

	$ sales per sq. ft. sales area	Gross margin %	Sales to inventory ratio	GMROI
Retail home centers*	126.60	38.7	5.1x	1.95
Lumber/building material outlets**	176.09	33.2	3.3x	1.10

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

Source: National Retail Hardware Assn.; Home Center Institute

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Bench tools head resurgence; vendors stress quality, price

(Continued from page 64)

was being used by domestic tool and hardware manufacturers as a way to keep competitive against imported merchandise in this country.

The level of competition among imports and domestic tools was particularly keen in 1984, as U.S. companies sought ways to regain their edge in the market. Some began importing merchandise themselves and selling it under their own names. Others began offering programs through which dealers could purchase import tools through the domestic supplier, thereby gaining a certain level of quality control.

And more U.S. manufacturers turned to litigation to protect their products against what they claim is an explosion of counterfeit merchandise flowing into the market. In two suits filed by Hirsh, one of the plaintiffs was Menard's, the Eau Claire, Wis., chain, allegedly selling a product that is an illegal knockoff of a Hirsh workbench.

Imports accounted for around 14% of all hand tool sales in the U.S. and 9% of power tools in 1984, and the percentages appear to be growing. And their impact is evident in the sales of a number of domestic manufacturers, most prominently Stanley, which had its best year in history last year, but whose consumer industry segment—of which tools make up a large part of sales—rose only 7.8% to $431.5 million.

However, dealers still want the well-known brand names in their stores, regardless of the profits to be taken from imports. According to *NHCN*'s Consumer Attitude Study last October, 7 out of every 10 dealers surveyed named Stanley's line among their best sellers. At least half of the dealers identified either Black & Decker or Skil as strong sellers in their power tool departments.

It seems that dealers will continue to rely on the recognizable brand names as the foundations of their tool departments, while using import merchandise to supplement and fill in price points and product lines in those departments. And, as quality becomes more of a factor in the marketing of tools, dealers report that the need to wage war on prices could be mitigated, although that is not likely to happen in 1985.

One indication that price is receding somewhat as the overwhelming factor in marketing tools was the lack of enthusiasm many dealers showed toward truckload sales last year. Even though the majority of chains still engage in at least one truckload sale annually, a sizable number told *NHCN* that the promotion hurt their tool departments' "quality" image, and did not lend consistency to departments' product selection, despite the margins these sales promised.

The quality aspect contributed to the resurgence of stationary tools last year, particularly in the warehouse stores, which have the room to properly display these big-ticket items. Retailers will be looking carefully this year to see if stationary equipment, with $400 to $750 prices, can compete against lower-priced bench tools, and can survive when the housing market, on which it depends heavily, tapers off.

Hand tools on display at Builders Square, Chicago. NHCN photo

Power tools & accessories: Departmental contribution & productivity

	$ sales per sq. ft. sales area	Gross margin %	Sales to inventory ratio	GMROI
Retail home centers*	154.59	35.2	3.9x	1.36
Lumber/building material outlets**	125.14	28.3	4.0x	1.13

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

Source: National Retail Hardware Assn.; Home Center Institute

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PROGRAM
Shower
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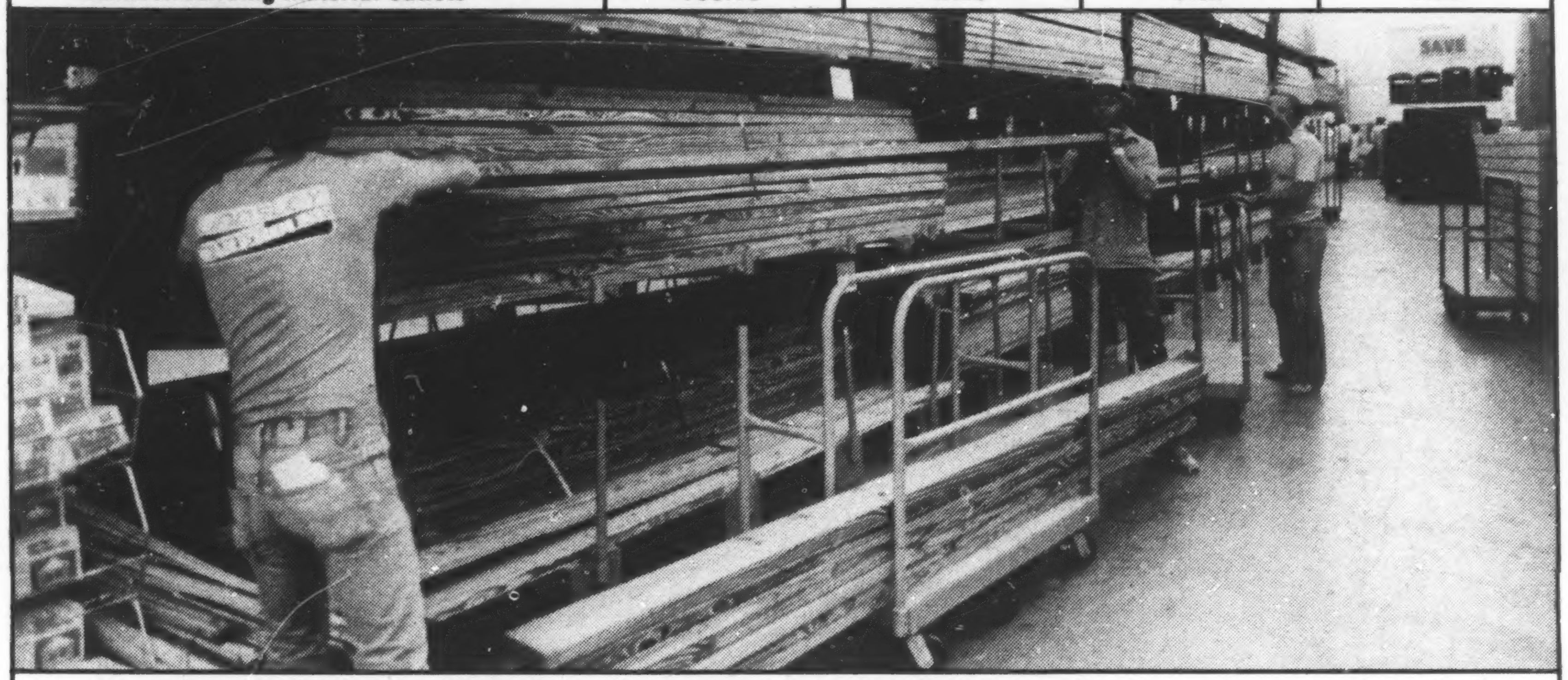
Tub and Sho

High hopes dashed in year of lumber discord

Lumber: Departmental contribution & productivity

	$ sales per sq. ft. sales area	Gross margin %	Sales to inventory ratio	GMROI
Retail home centers*	261.14	26.9	7.2x	1.94
Lumber/building material outlets**	796.75	25.4	6.5x	1.65



*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

Source: National Retail Hardware Assn.; Home Center Institute

NATIONAL REPORT — As 1984 began, many in the lumber industry looked forward to a good year. Housing starts hit high levels the year before and prices were tolerable. But as the year wore on, hope turned to disappointment as lumber prices softened and eventually sharply declined. Interest rates remained high, housing starts were off and manufacturers continued to overproduce, even in the face of many mill closings.

The year saw home center retailers continue to move lumber from "out in the yards" onto the retail sales floor in an effort to attract more DIY customers. In addition, lumber manufacturers went to even greater lengths to give lumber and other commodity items greater brand identification as they competed for the consumer dollar. Finally, treated lumber sales continued their roaring pace from 1983 as consumers built decks, and other uses for treated lumber—like for wood foundations—attracted more attention.

As 1984 began, *Random Lengths* released a poll of 140 retailers that operated 1,102 units. The poll showed that lumber dealers across the nation expected a good year, especially those in the South and West, where 95% and 100%, respectively, were more optimistic at the start of 1984 than they were at the beginning of the previous year.

But by June of 1984, the lumber picture darkened. The price of western s-p-f studs, which averaged $255 per thousand board feet in June 1983, had dropped to $146 one year later. At the end of the month, even at somewhat lower prices, buyers were staying away, according to *Palmer's Lumber & Plywood Forecast*.

Optimism, generated by 1983 housing starts of 1.7 million, turned more guarded as the Federal Reserve raised the prime interest rate and builders expressed doubts that housing could remain affordable for many Americans. Lumber prices began to decline in March as dealers, caught with heavy inventories during the last decline, learned from that error and bought only for their immediate needs. By December 1984, the price of western s-p-f studs was still below $150 per thousand board feet.

The economic picture at the end of 1984 was still clouded as interest rates remained high and many of the nation's economic indicators gave off mixed signals, pointing neither to a robust recovery nor to another recession.

Canadian lumber imports, part of the reason for the depression in U.S. lumber prices, received more and more attention so that by the end of 1984, Congress was ready to hear a proposal for formal legislation restricting Canadian lumber imports.

In efforts to spur more lumber sales, more retailers devoted increased amounts of retail floor space to lumber, especially the warehouse and "warehouse-type" stores. Merchandising techniques were utilized to an even greater degree to try to sell lumber more as a retail item. These techniques included cantilever racks, more in-store signage, displays and outside advertising.

The booming deck market of 1983 spilled over into 1984 with increased sales gain in the spring and summer months. But, dealers found that stiffer competition became a major factor in making treated lumber and decks less profitable.

In order to recover some of the falling margins, many dealers, especially small, independent stores, offered customers special services to draw deck customers and to get out from under the price competition. Free delivery, instructions and heavy promotional campaigns helped keep margins in the middle 30% range. Deck kits and drop-in squares were also seen as ways to reinforce margins.

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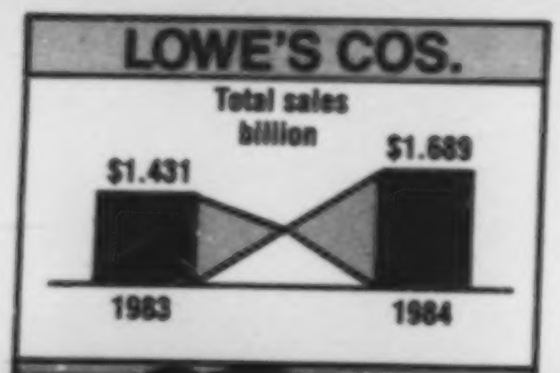
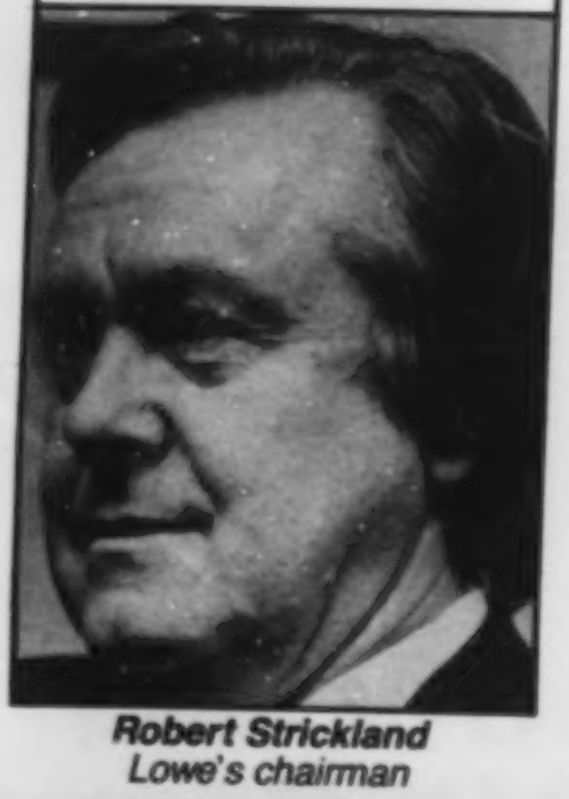




Robert Strickland
Lowe's chairman

Super-Retrofit powers Lowe's to banner year

NORTH WILKESBORO, N.C. — When Lowe's Companies closed its books on 1984, it had successfully completed its first full year of its Super-Retrofit concept, posting an 18% sales increase and a 21% jump in net earnings and earnings per share of stock.

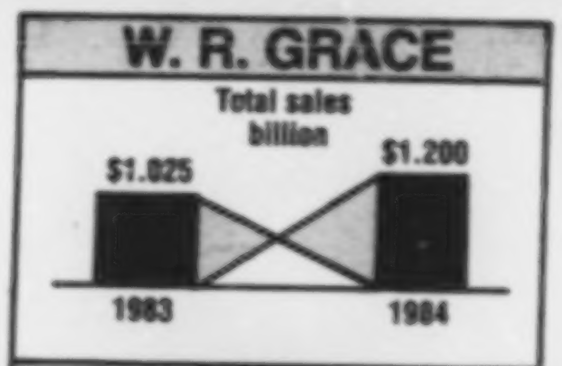
Last year, the increased retail emphasis, which the concept represents continued to show results as Lowe's, long known for its dedication to the professional customer, again did more business with consumers than it did with the professional builder/contractor, 52% to 48%.

Sales for the year were $1.68 billion; earnings, $61.4 million. Sales to retail customers rose 22% in 1984, to professional customers, 14%.

Late last year Lowe's began negotiations with Boise Cascade. Those talks culminated early this year in Lowe's purchase of 23 Boise units.

This year, Lowe's executives announced the company will add 5% more stores and 10% more selling space in existing units in an effort to achieve 20% growth in total selling space. So far this year, the North Wilkesboro-based company opened seven new locations, excluding the Boise Cascade acquisition, which by the end of April sported Lowe's signs.

Lowe's started 1984 with 238 units, and among its additions were four Homecrafters Warehouse stores in Nashville and its 54,000-sq.-ft. prototype unit in St. Matthews, Ky., a Louisville suburb. That store, the company's largest store to date is an indication of how the chain will compete in larger markets. However, the Lowe's stated expansion strategy remains filling in "Lowesland."



Edward Tutun
Retail Group chief

Grace acquires Ole's to buttress So. Calif. base

NEW YORK — In 1984 W. R. Grace strengthened its southern California base with the acquisition of Ole's Home Centers. Sales were up an overall 17% to $1.2 billion. But there were also disappointments.

The profitability of the central region chains—House Works, Handy City and Handy Dan—declined as these outlets faced stiff competition in large markets like Dallas where gross profit margins softened in response to warehouse stores.

Grace spent much of the year planning to launch its own warehouse chain and hoping to have a handful of warehouse home centers open by year's end. Instead, the first two Home Quarters warehouses debuted in February of this year (in Virginia Beach, Va.).

In addition, the acquisition of privately held Ole's was costly in terms of start-up costs.

The merger-related consolidation of personnel—including the change in name and format of 15 existing California Angel's to Ole's—prompted an exodus of numerous longtime Grace employees.

Grace's unit count jumped 13%, to 324 outlets, largely because of the Ole's purchase—but only three additional stores opened in 1984, including a single outlet at 18-unit Orchard Supply Hardware, San Jose, Calif., which, along with Channel in the mid-Atlantic states, continued to flourish.

Grace's strategy of operating traditional, full-line home centers, often situated in convenience strip centers, faced problems in a changing industry where low margin, high volume warehouse stores offer tough competition.

Those problems could be addressed this year. In early April, veteran Grace executive Pedro Mata was named deputy group executive in charge of home centers. The move was significant because Grace has not had an executive solely overseeing its home center group since Frank Denny left as division president in March 1983.

Mata's new assignment was revealed only a few days after Grace announced expectations of lower earnings for the first quarter of 1985. The earnings downturn was in part attributable to "unfavorable operating results" in its home center division, according to a Grace press release.

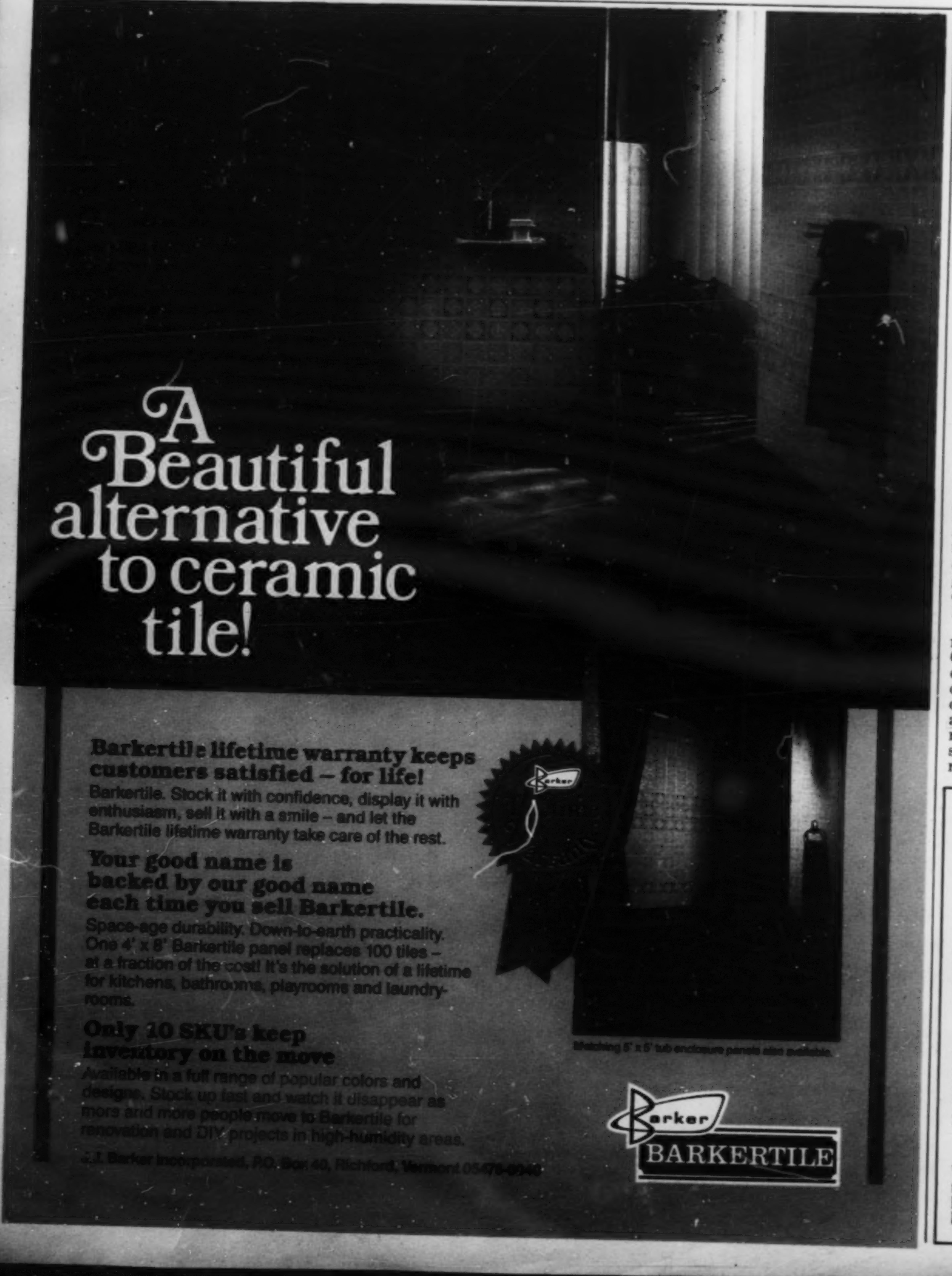
CENSUS TRIVIA

DIY industry sales to consumers hit the $10 billion mark in 1976.

Wickes at $500 million and National Building Centers (Lone Star) with $412 million in volume were the top two sales performers of 1976.

While Wickes topped the total sales chart in 1977, Evans Products led the way in DIY sales that year.

While W. R. Grace moved to the top of the DIY sales heap in 1979, Wickes still led in total sales.



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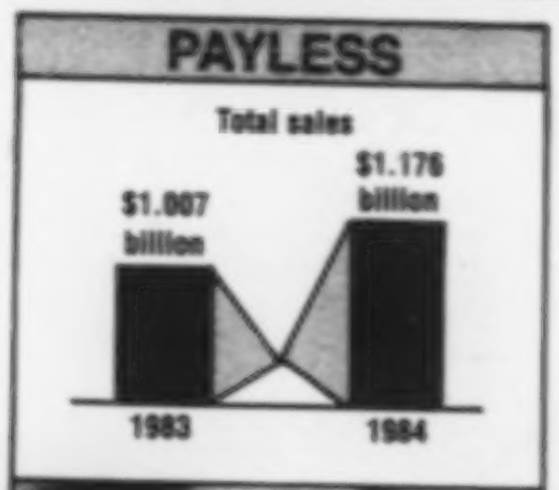


David Stanley
Payless president

Payless cracks $1 billion in sales amid difficulties

KANSAS CITY, Mo. — Life was tough for Payless Cashways in 1984. Its comparable store sales rose only 6%, and its net income declined 9% to $37 million after three years of 40% or greater annual earnings growth.

Depressed timber prices, bad weather in many parts of the country, an institutional television ad campaign that wasn't working, and heavy competition in Dallas, Houston and Phoenix all contributed to Payless' subpar performance last year.

In addition, the company, throughout 1984, continued to have difficulty incorporating its Lumberjack Stores on the West Coast, which it acquired in 1983, into the corporate fold.

However, things were not all bad for Payless. The company cracked the $1 billion sales barrier, and its $1.18 billion in total volume made Payless the industry's second largest dealer, ahead of Evans Products, for the first time. Its sales were 17% above 1983 figures, which were restated for accounting purposes to $1.007 billion from $864 million to reflect 1984 acquisitions.

In fact, a good portion of Payless' 1984 sales growth came from the two major acquisitions it completed last year: its $71 million purchase of 14 Prime Home Improvement stores; and the $40 million purchase of Somerville Lumber, whose two units alone last year did more than $61 million (including some revenue from its West Bridgewater, Mass., unit, which opened late last year), and $1,000 per square foot. Payless also bought the three-store Wood Brothers operation late in 1983.

In addition, the company spent another $65 million building 21 new units, and experimented with different-sized prototypes. Most of the newly built stores were 37,500-sq.-ft. buildings with 30,000-sq.-ft. showrooms. But in some markets, the chain erected 45,000-sq.-ft. units with 37,500-sq.-ft. showrooms, and a 60,000-sq.-ft. unit in So. Dallas was opened last September.

With acquisitions and new builds, Payless increased its total retail square footage by 40% and brought its store count to 157 by the end of the fiscal year on Nov. 24.

With more selling area to use, Payless made a concerted effort to carry better quality merchandise throughout its new stores. This was particularly evident in Cincinnati, where Payless opened new stores with larger, more stylish kitchen and bath departments taking up nearly 4,000 sq. ft. and featuring upscaled products.

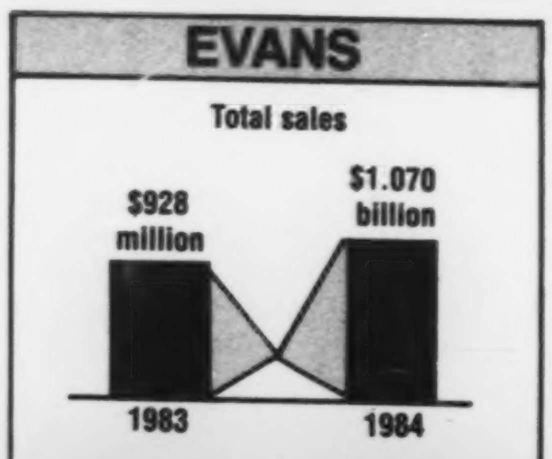
Payless officials are the first to admit the new K&B departments are the chain's attempt to copy Somerville's successful merchandising of these products.

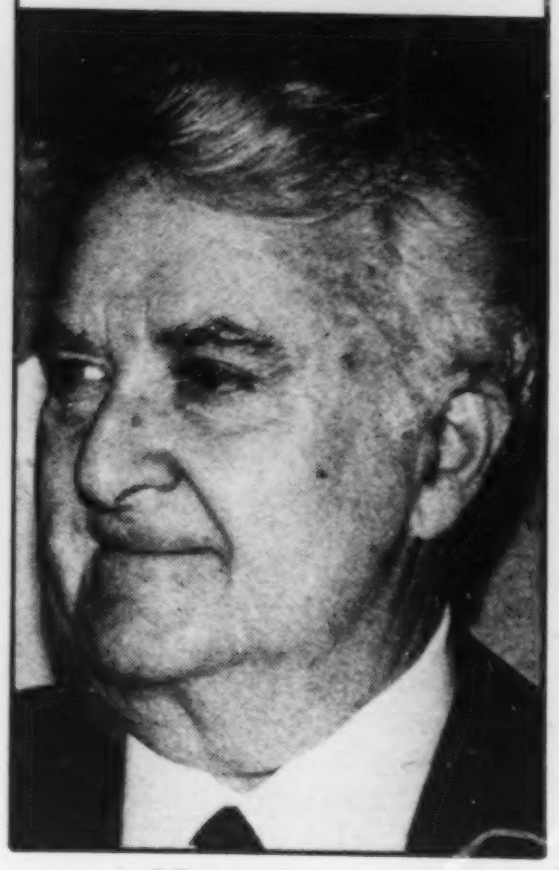
In fact, Payless probably would love to graft nearly everything about Sommerville onto its own stores. The Massachusetts independent's flagship unit became the first store to do $1 million in sales in a week (May 20 to 26) in the industry's history.

Other news of note at Payless included the introduction in September of a "proprietary" credit card, which appeared to have immediate sales results: 1% of the chain's $99 million in November sales came from credit transactions. The company also merged its loss prevention and safety departments in an effort to reduce its shrinkage while, at the same time, prevent customer and employee injury.

Most industry watchers expect the hiring last year of former T.G. & Y. and J. C. Penney executive John Herron as Payless' new executive vp to result in stricter corporate controls in a company whose reputation was built on the free-wheeling autonomy of its store managers.

That control will be further enhanced by Payless' shifting some key personnel around to accommodate its recent explosive growth. Stan Boyd was promoted to regional vice president, and now oversees the prime operation in Denver and Las Vegas; Bruce Hokanson was similarly promoted and now runs the chain's stores in Iowa, Minnesota, Illinois, Nebraska and Missouri; while Larry Morrissey will concentrate on Payless' Indiana and Ohio markets, where a good portion of the chain's expansion took place last year.





Victor Posner
Evans chairman

Evans retail div. posts sales gain; parent suffers

MIAMI BEACH — Evans Products Co. here continued to struggle unsuccessfully in its attempts to pay off $640 million in secured term loans to bank creditors last year. Early this spring, the company opted to take itself and seven subsidiaries, including its Retail Group, into Chapter 11.

While the corporation is expected to show heavy losses in 1984 once Evans releases its fourth quarter and annual results, its retail division—consisting of the Grossman's, Moore's, Lindsley, Grossman's West, Hubbard & Johnson and Alamo chains—was reportedly profitable. Together, these companies, with 349 stores, realized sales gains of 15% to $1.070 billion, with Grossman's alone doing $520 million in volume (up 26%) and Moore's $250 million, a 34% increase. Lindsley and Alamo were off last year.

And despite the financial woes of its parent and Evans'

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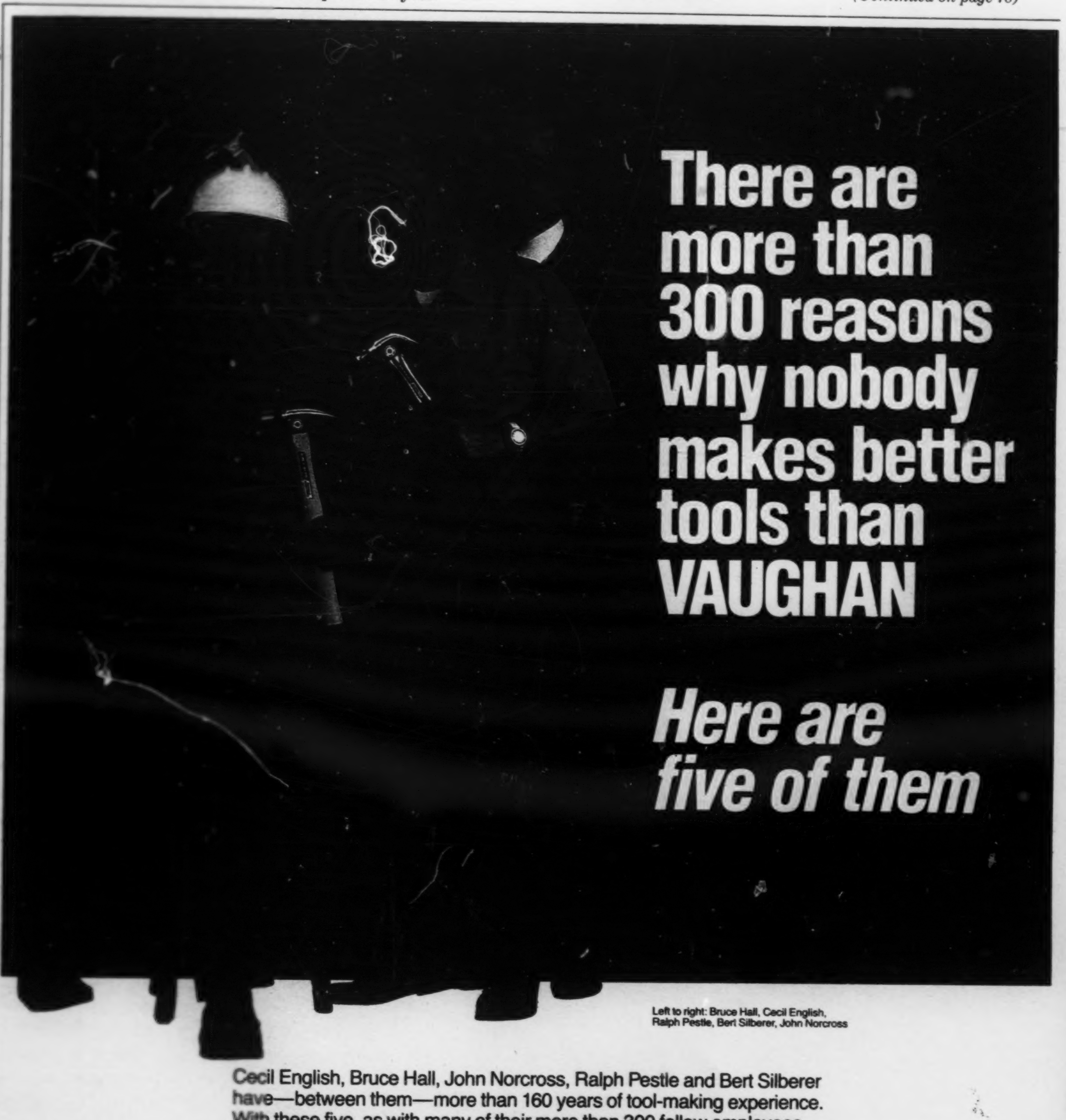
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Evans retail div. posts sales gain; parent suffers

(Continued from page 77)

chairman Victor Posner, the company's retail division bounded forcefully into the warehouse arena, with Grossman's opening seven warehouse units, Lindsley four and Moore's four in 1984.

The year began precipitously when Posner, whose Sharon Steel owns 43% of Evans, was named the company's chief executive officer on Dec. 28, 1983, by the board of directors. Posner solidified his position in the company by replacing many of the company executives who had resigned or were fired with members of his family and close associates.

A few monhs later, company officials were buoyed by the news that the consortium of 22 banks to which Evans owed its secured loans agreed not to hold the assets of the company's retail division as collateral for those loans, clearing the way for Evans to spin off the division as a separate entity, with the ultimate intention of selling that entity off.

At the time, the company began issuing surety bonds to trade vendors which had become nervous about the company's ability to pay for merchandise, a problem that plagued Evans throughout 1984.

Posner arranged to pay Evans' first debt installment of $60 million on March 31 by selling off the company's Shelter Products and Fiber Products Groups to two of his other companies, APL Corp. and DWG Corp., for $74 million. He also sold off part of Evans' home finance unit's loan portfolio, valued at $22 million. The company was able to defer that payment, and the banks sanctioned the retail spinoff.

At this time, Posner mandated that vendor payments be made through Miami, and this caused a slowdown that made many vendors even more reluctant to ship its retail stores. While most suppliers at the time were being paid, these monies were sometimes 60 days late.

In late spring, the company quickly opened six warehouse units, including a 60,000-sq.-ft. warehouse and drive through for Grossman's in Sayreville, N.J.

Throughout the rest of the summer and fall, the company negotiated with the banks over ways to meet its 1984 debt obligation, which totaled $432.5 million. And, it became apparent that the resolution to its dilemma could be to sell off its most profitable entity, the Retail Group.

Initially, Posner had intended to form a publicly held company out of the retail stores, and retain 20% ownership. But in November, Evans formed Grossman's Inc., which was comprised of Grossman's, Moore's, Grossman's West Alamo and Hubbard & Johnson. Lindsley remained as a separate subsidiary, as did the three-store Steel City in Pittsburgh.

The formation of this separate company led to all kinds of speculation about what Posner intended to do with the retail stores, including the prospects of selling the company to Grossman, who was known to have made a leveraged buyout offer for the company earlier last year.

This possibility became even more controversial when Grossman, who joined his family's business in 1947, stepped down from his post as Evans Retail president in November to pursue his buyout more aggressively.

Ironically, the company's third quarter, 1984, results showed the retail stores' profitability flagging a bit. Its third quarter income was off 17%, and 31% down for the nine-month period.

Over the next few months, the company appeared to be in limbo. It missed its Jan. 15, 1985, debt payment and was in technical default of its loans. Vendors began holding back shipment of merchandise to the stores which, in midwinter, were bare in several product departments. And the banks finally demanded payment of the term debt.

On March 11, 1985, Evans Products and seven of its subsidiaries filed for protection under Chapter 11 of the U.S. Bankruptcy Code, with $753 million in total liabilities.

PEOPLE

every issue in
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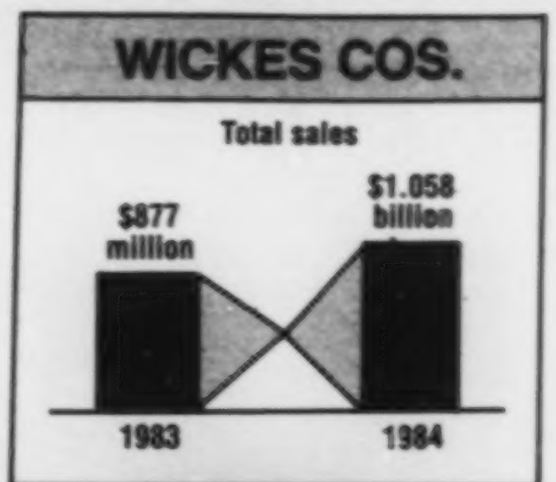
WICKES COS.



Sanford Sigoloff
Wickes chairman

Wickes 'miracle' ends Chap. 11 on upbeat note

LOS ANGELES — U.S. Bankruptcy Judge William J. Lasarow officially confirmed Wickes Cos. plan of reorganization at 11:43 a.m. on Sept. 21, 1984.

"Before we adjourn," Lasarow told a courtroom of lawyers who had been involved in the case since the April 1982 bankruptcy filing, "I just want to say I think this has been a miracle. Up here on the bench, we see many more failures than successes in Chapter 11."

The judge added, "I can't laud sufficiently the job done by the attorneys [Wickes], management and creditor's committees."

With that upbeat note, the bankruptcy proceeding adjourned and Wickes was on its way to settling approximately $1.7 billion of debt through the payment of approximately $600 million in cash and the issuance of notes, common stock and warrants.

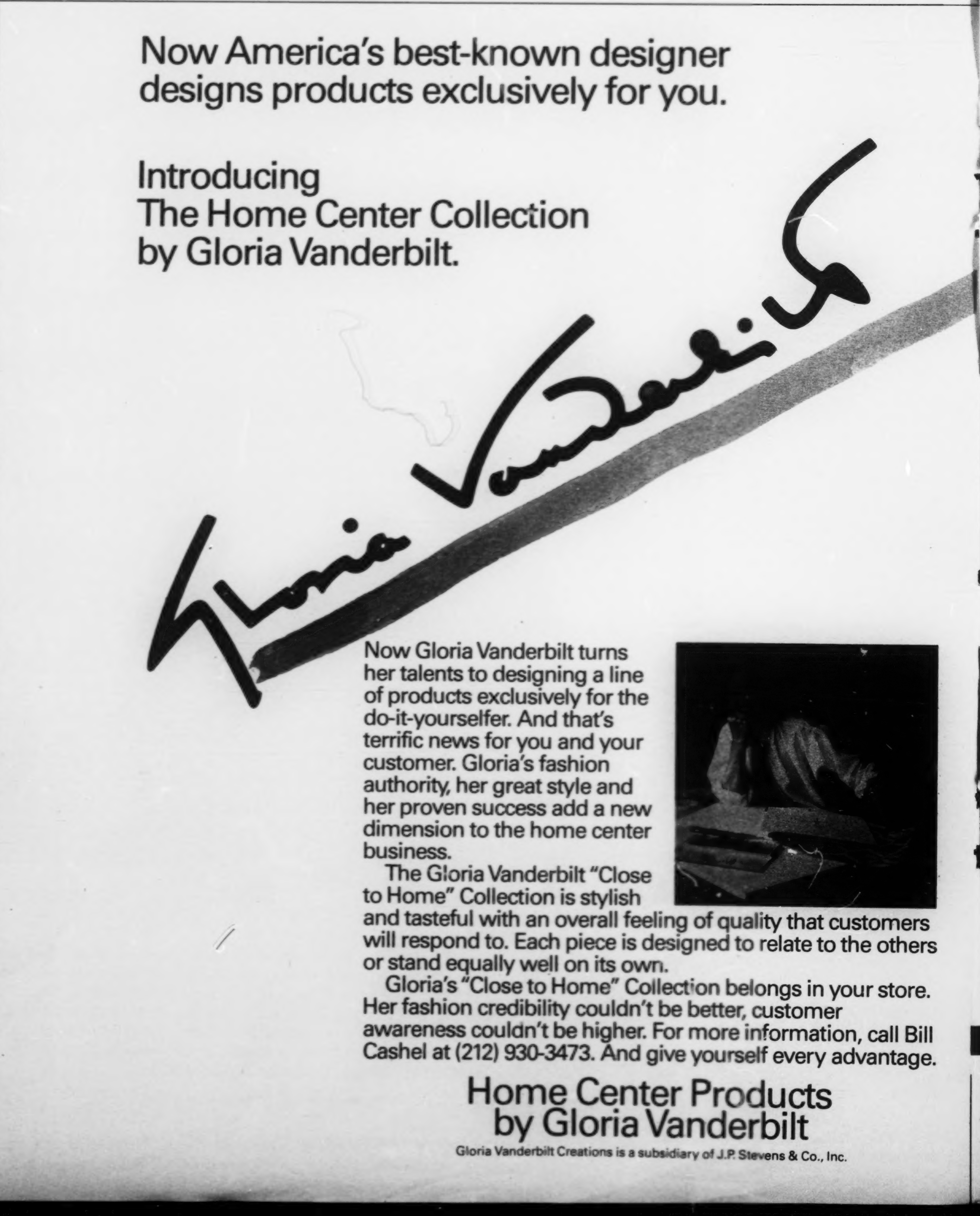
During the era of court protection, nevertheless, Wickes' remained one of the country's largest retailers of lumber, plywood and building materials. Last year its lumber and building materials business segment, which includes Wickes Lumber, Builders Emporium, Wickes International and Sequoia Supply, generated $1.46 billion sales and an operating income of $28.1 billion.

(Sequoia Supply, a specialty lumber and building material distributor, had sales of $240 million while Wickes International, which operates home centers in Europe, posted $161 million sales.)

By far the largest Wickes' division is Wickes Lumber, which posted $853 million in sales in 1984, up 24% from 1983. Wickes Lumber operates 212 units in 36 states and is headed by general manager Les Hagen. Wickes Lumber did not go through Chapter 11 unscathed; it closed 65 stores during the 33-month bankruptcy period and relocated to Chicago from its long-time Saginaw, Mich., headquarters.

Wickes Lumber continues its commitment to the professional builder as well as the large project-oriented consumer. About

(Continued on page 79)



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Home Center Products
by Gloria Vanderbilt

Gloria Vanderbilt Creations is a subsidiary of J.P. Stevens & Co., Inc.

Wickes 'miracle' ends Chap. 11 on upbeat note

(Continued from page 79)

70% of its sales volume came from commodities last year. Wickes Lumber has been called Wickes' "crown jewel" business segment and it is unquestionably a vital core business in Wickes' post-Chapter 11 period.

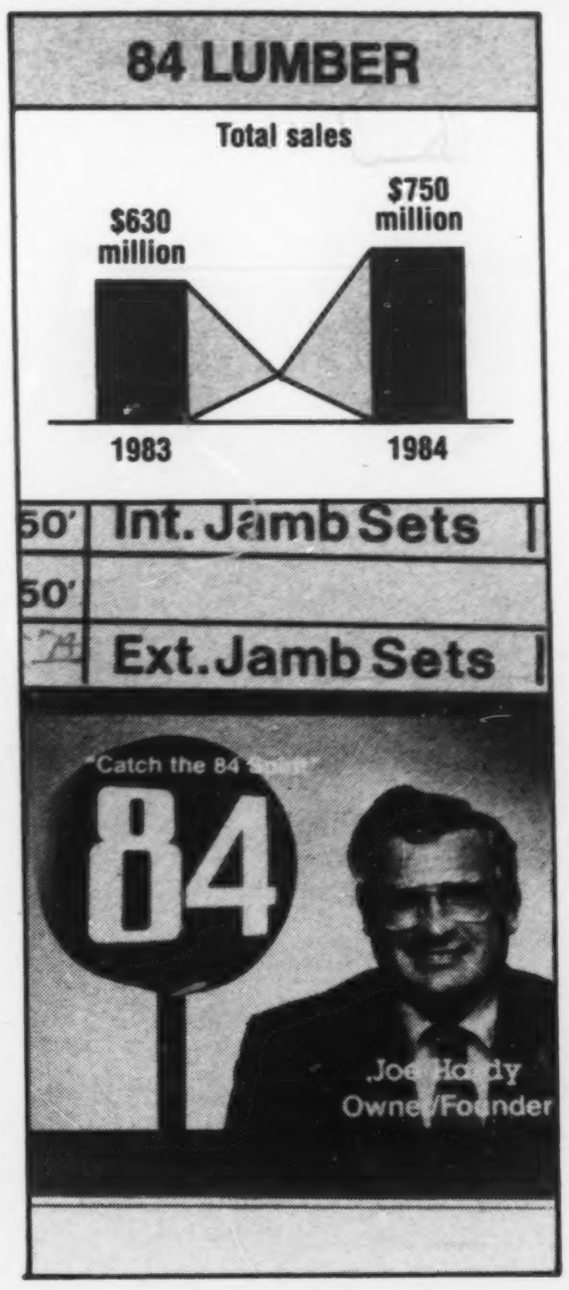
Wickes' Builders Emporium, in contrast, was a "problem child" for Wickes in 1984. The first quarter was disastrous for the 59-unit, Irvine, Calif.-based chain, according to Wickes' 10-K filing with the S.E.C. The report elaborated that BE was not maintaining adequate inventories and "store employee coverage to meet the customer's needs and advertising had been reduced in an attempt to achieve an improvement in short-term profit."

Stock shortages

The result: in 1984, operating profits for BE fell 83% despite an 8% sales increase to $204 million. Last summer, a management shakeup resulted in the early retirement of BE president Tony Swies and in subsequent weeks virtually the entire former BE management team was replaced. Late in the year, Hal Smith, formerly president of a five-unit southern California regional chain, was named president.

New strategy

Clearly, there are still bumps in the road to BE's total rebound. But the new management team headed by Smith is already revamping the merchandise assortment, upgrading employee training and implementing aggressive new advertising programs that are expected to improve operating results this year.



84's owner Joe Hardy, on sign that says, "Catch the 84 Spirit."

84 Lumber falls short of 1984 expansion goals

EIGHTY FOUR, Pa. — "Catch the '84 Spirit" was the promotional theme of 84 Lumber here, as it embarked on a two-year store remodeling campaign, experimented with television advertising in certain markets and installed point-of-sale terminals in all but a handful of its 365 stores.

In addition, the company's founder and chairman, Joe Hardy Sr., came out publicly with his "vision" of forming 84 Lumber, which he started with his brothers in 1953, into the industry's largest chain, with close to 700 stores and sales of $3 billion by 1990. Part of the achievement of this dream would include a major acquisition of one of the home center industry's other chains.

This expansion drive, which was estimated to cost $1 billion, stalled a bit in 1984, as the company—which Hardy originally projected would open 35 units and have sales of $840 million—fell somewhat short of its goals.

84 Lumber had a net store closing total of nine units last year, mostly in "problem" markets like Denver. However, the company saw its sales rise 19% to $750 million, of which around 60% came from DIYers. This year, 84 plans to open 22 new stores and is budgeted to do "at least" $850 million in revenue, according to vice president and director of purchasing George Handyside.

The big news last year at 84 Lumber, which is the industry's largest private company, was its store remodeling effort, which Hardy estimated could cost $100 million to complete by 1986. In many stores, which average 20,000 to 25,000 sq. ft., HVAC equipment was installed for the first time, in-store lighting was increased up to 400% and in some cases, selling space was expanded.

Prior to the remodeling, the stores generally carried $350,000 in inventory and 2,500 stock keeping units. Through last year, many stores were stocked with an additional $100,000 in merchandise and 1,000 sku's of mostly promotional and hard lines products that were intended to bring more consumers through 84 Lumber's doors.

The company supported this remodeling and remerchandising in two key areas: advertising and inventory management.

The chain upped its ad budget last year to $25 million and placed greater emphasis on newspaper circular inserts touting the units' low pricing. In addition, 84 experimented with TV ads in some larger cities and, intermittently, engaged in an out of character public relations campaign with local and national business press to explain its growth plans.

Nearly all its stores received new POS terminals last year, at a cost estimated by Handyside of around $5 million. He noted that the "second leg" of the company's computerization of its stores this year will include putting mainframe equipment in all seven of its district offices.

The question marks that remain about 84's operation center around the location of its units, which continue, for the most part, to be on the outskirts of many markets, and its management, which lost two key people through retirement last year.

The company appears to be addressing the location problem, as its expansion this year will include building units closer to population centers in several markets. Over the next few months, the chain will open stores in Toledo and Rochester.

And while long-time executives Dan Hixenbaugh and Dave Young retired from 84 between April 1983 and June 1984, and the company's corporate management remains slim, with Hardy, at 61, still leading the charge, it appears the chain will be concentrating more on decentralizing its operations to accommodate its growth strategy over the next several years.

"We are of the opinion that we need to re-emphasize the level of management immediately responsible for the stores' profitability," said Handyside in an interview with *NHCN* last month. He explained that the company will be concentrating on honing the skill of its "super managers," those men who oversee the operation of between 10 and 15 units each. Currently there are 34 such managers, and Handyside indicated the company will be expanding this work force.

Gloria Vanderbilt "Close to Home" Collection

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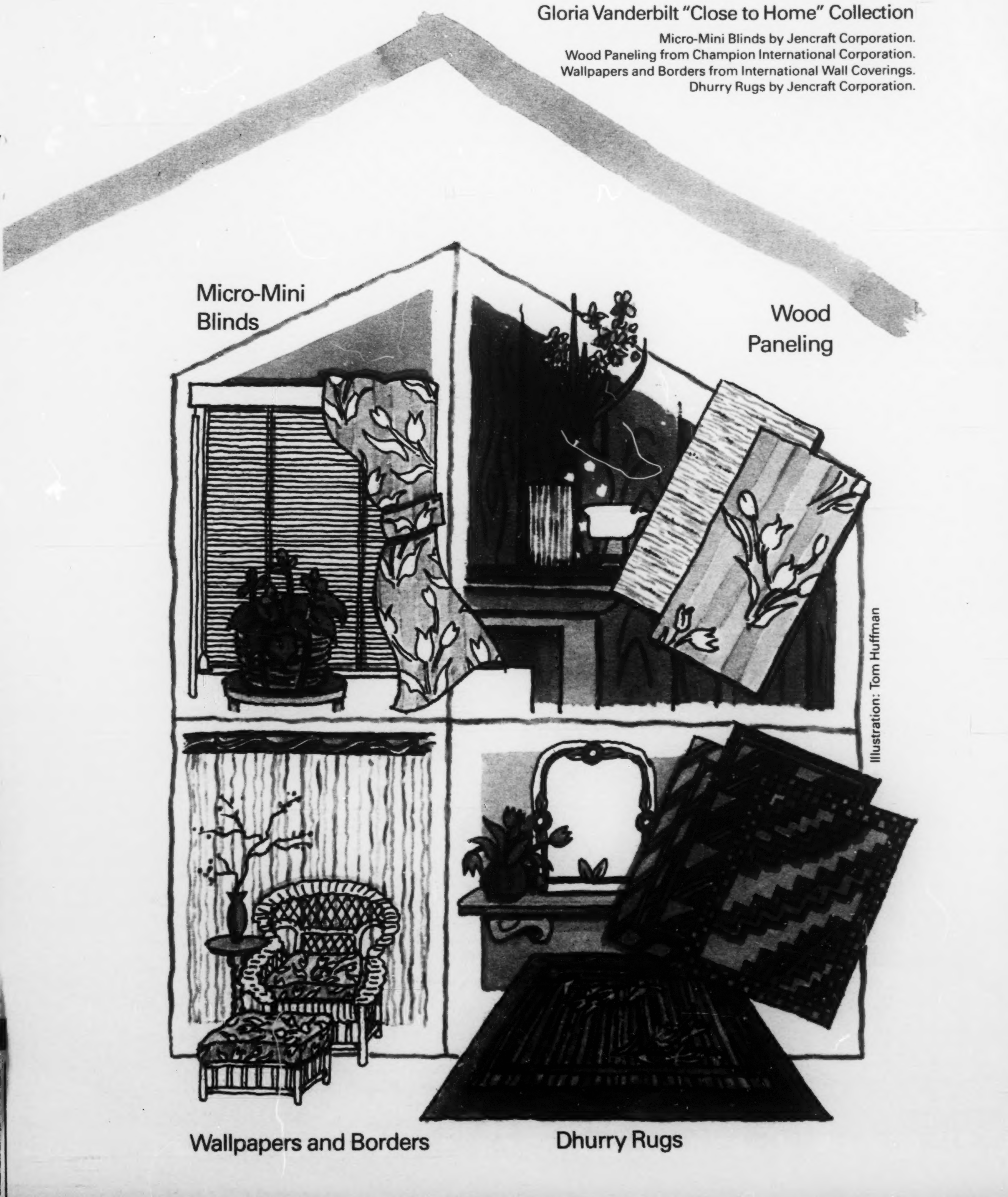
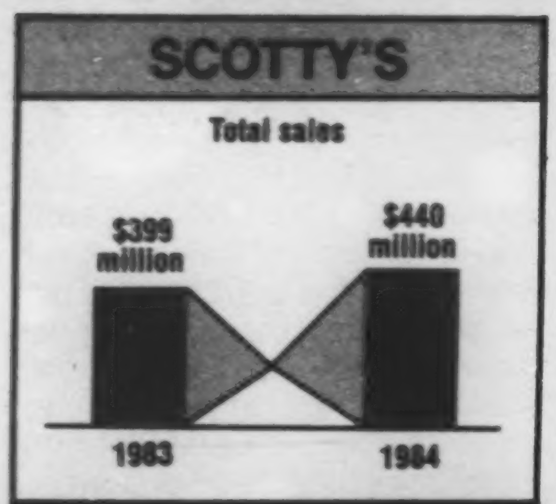


Illustration: Tom Huffman



Scotty's president Ray Cooney at security analysts meeting in New York. NHCN photo

Refurbishment program pays off for Scotty's

WINTER HAVEN, Fla. — The upgrading and expansion program initiated in 1983 proved profitable for Scotty's in 1984.

The 113-unit company posted an 18.2% sales increase last year, to $424,537,000, with earnings of $18,059,000 for the fiscal year ended June 30. Sales for the calendar year reached $440 million. Its stock soared 59.6% last year, from 98¢ per share to $1.39 per share.

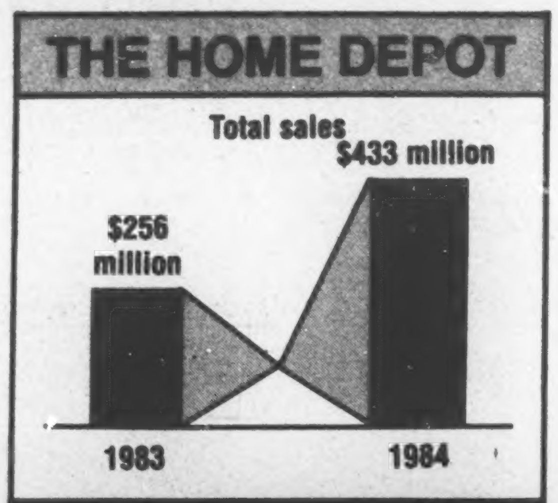
The explosive new construction patterns in Florida are credited with much of Scotty's increases along with many of its internal changes, including the addition of automotive supplies and house plants into its stocked items. Also Scotty's started buying more of its inventory from overseas, especially from the Far East.

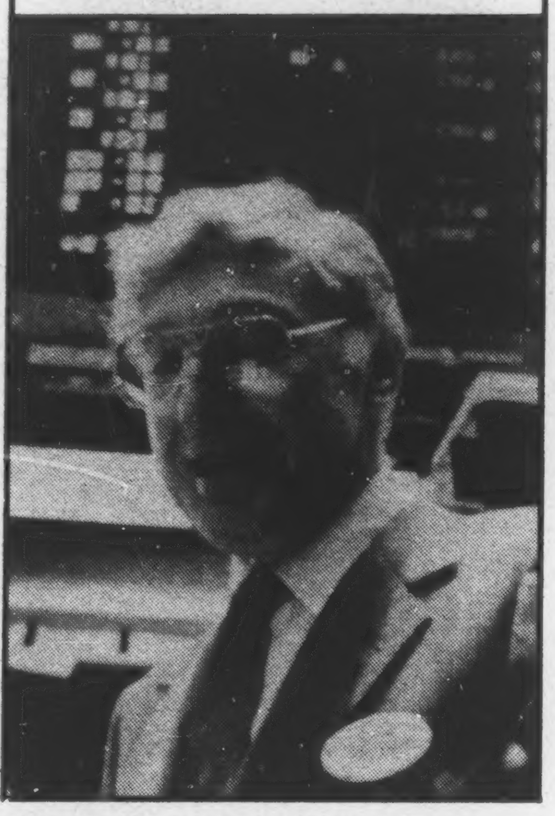
Last year, the Winter Haven-based company opened a new truss plant, for the manufacturing of roof trusses, prehung doors and bathroom vanities.

In addition to adding eight new stores during 1984, Scotty's redeemed its March 1, 1981, subordinated convertible debentures on April 1, 1984, at 107.8% of their face value, plus accrued interest at 9¾%. Scotty's allowed the holders to convert their holdings to company stock at $11.73 per share. The original $15 million offering was made to help the company finance its expansion.

Already this year, Scotty's unveiled the company's "store of the future," on Jan. 17 in Jacksonville. At 49,000 sq. ft., the new store is the company's largest, and its prototype. Six more units, carrying 2,500 more stock keeping units, for a total of 13,500 sku's, are planned to open in 1985 and 10 of Scotty's larger units are expected to be remodeled to fit in with the new format.

Two long-time Scotty's executives, both of whom had been with the company for over a decade, retired late last year. Alice E. Sherman, a 16-year veteran with the firm, retired from her position as vice president for systems and control. She had been one of the top five executives who made up Scotty's management committee.





Home Depot chairman Bernard Marcus at New York Stock Exchange. NHCN photo

Home Depot on road to becoming a national chain

ATLANTA — The Home Depot added 12 new units in 1984 and posted a sales increase of 69%, to $432,779,000. Net earnings topped $14 million, or 56¢ per share, an increase of 38%.

The 31-unit retailer also added a new management tier last year, preparing it for its emergence as a national chain.

Company leaders report, however, that the addition of the new managers—in merchandising, store planning and construction and finance—will not alter the retailer's entrepreneurial style. It does, though, signal the maturation process of the company as it approaches sales of $500 million and increased competition.

The Atlanta-based retailer requested and secured its listing on the New York Stock Exchange in 1984, and was an actively traded stock. The stock suffered when second quarter earnings fell short of expectations and margins softened. But late in the year the stock began climbing to the high teens, having fallen to 12 from the mid-20's.

Home Depot was also busy opening new stores and completed its first acquisition with the purchase of nine-unit Bowater Home Centers Inc. of Plano, Tex., for $40 million last December, giving it six stores in the Dallas/Fort Worth market and one each in Shreveport and Baton Rouge, La., and Mobile, Ala.

Last year Depot also opened stores in Phoenix and Tucson, Ariz., and St. Petersburg, Fla., and announced plans to enter Houston, Detroit, southern California and Jacksonville in 1985. It also is due to complete two more units in Atlanta, for a total of six stores in its hometown.

This year, The Home Depot announced plans to open 20 units. In 1986, the company also plans to open another 20 stores.

The new management tier established to accommodate this growth includes John Romberger as director of store planning and construction, reporting directly to president Arthur Blank. And Ron Brill, senior vp and cfo, now has a vp of finance working for him, Dwayne Walter. And Bruce Berg, formerly of Wickes Lumber, joined Home Depot last year and filled out the ranks of merchandising vps, which then enabled Pat Farrah, one of Depot's founders and its merchandising brain to depart early this year.

Four new regional managers were added, for a total of six such positions.

Also last year, Builders Emporium vp of merchandising Steve Capasso, joined the company as its paint sundries and window treatments merchandiser, and Paul Stubbs, vp of merchandising from Dixieline Lumber, became Depot's hardware merchandiser.

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It's high and rising.

Five years ago, treated Southern Pine was something less than a household word.

Today, about 30 percent of all Southern Pine lumber is pressure-treated with preservatives that protect the wood in even the toughest outdoor or ground exposures.

The volume is there. The market is increasingly active. We can help you get your share.

LUMBER SALES

Support

First, with modern sales training aids for your personnel, including a videotape that explains what treated Southern Pine is, why it's the best treated wood you can buy, how it's treated, quality standards, uses, and how to sell it.

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☐ Retail Dealer ☐ Builder

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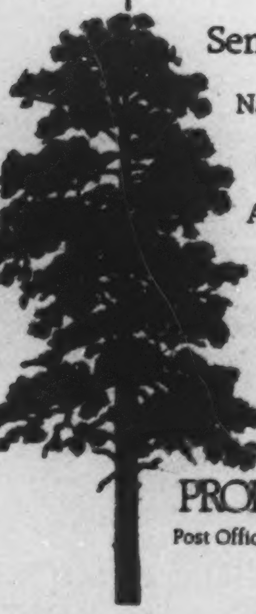

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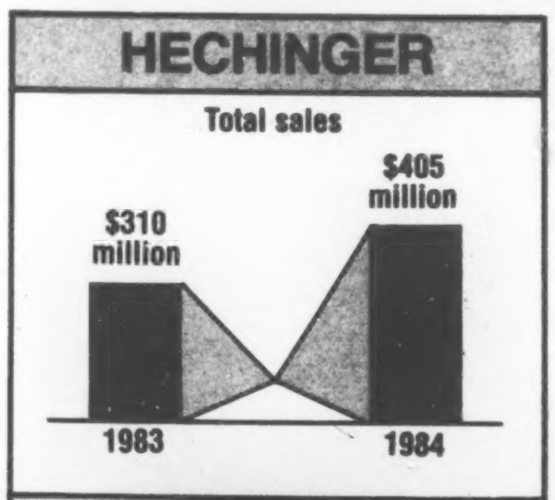
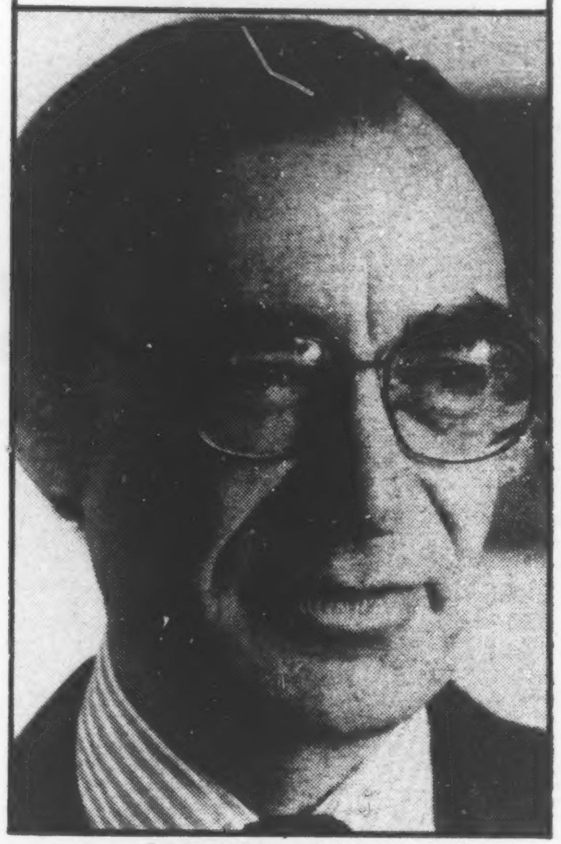




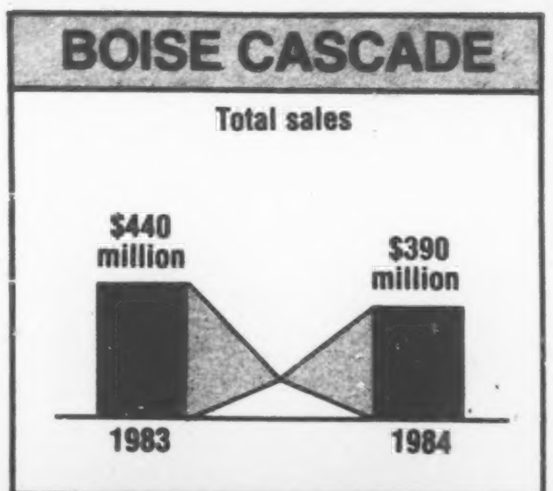
John Hechinger
Hechinger president

Boise Cascade looks to paper to offset retail loss

BOISE, Idaho — For Boise Cascade Corp., 1984 was a year that saw the company move to cut its losses in the retail building materials and building products segments, while paying more attention to the profitable areas of paper, packaging and office products.

The culmination of Boise's 1984 building products consolidation efforts came early in 1985 though, when the company sold 23 Texas and Oklahoma stores to Lowe's Companies, the North Wilkesboro, N.C.-based home center retailer, for $50 million. That leaves Boise with 48 retail units out of an all-time high of 94 stores in 1981.

In 1984, Boise Cascade realized revenue of $3.8 billion as compared to 1983's $3.5 billion. The company recorded record breaking performance for 1984 in its growing paper segment. Mixed results were turned in the packaging and office products area, while the building products segment recorded substantial losses.



Boise Cascade
Building Materials Center
FREE PRIZES LOW PRICES
GRAND OPENING
CELEBRATION

Consolidation is under way at Boise Cascade.

Rickel retrofits helps sales; eyes expansion

SOUTH PLAINFIELD, N.J. — For Rickel Home Centers, 1984 was a year for remodeling and remerchandising existing home centers, opening four additional stores and branching into two, new adjacent markets.

The northern New Jersey-based company also rang up an impressive sales year, with total 1984 revenue of $347 million, a 26% jump over 1983's figure of $275 million.

Rickel's sales growth can be attributed at least in part to customer acceptance of the chain's retrofit program, which resulted in a combination warehouse and traditional home center store. The remodeling done at the reopening of the chain's Warminster, Pa., store last year was carried over into new facilities at Watchung, N.J., and Norwalk and Bristol, Conn. New features debuted at Warminster included a small drive-thru area, some warehouse racking, expanded store hours, brighter signage and a "how-to" electronic genius, providing customer service.

Supermarkets General, Rickel's parent, will pour $22.5 million into the home center company in 1985, a record high capital expenditure for Rickel. Some of that capital will help Rickel's expansion into the new markets of Connecticut and Maryland. At the end of 1984, Rickel opened its first Maryland store, in Towson, followed by a second area store early in 1985.

The chain also moved into Connecticut late last year, in Norwalk, and followed that initial foray into the state with a Bristol location in 1985.

New Jersey, along with Pennsylvania and New York, are Rickel's heartland, an area which it shares with Channel Home Centers, an area that, until lately, had been ignored by the warehouse chains. But the situation has changed as warehouses begin their assault on the region.

Mr. HOW opened several units in suburban Philadelphia. And Philadelphia-based Mr. Goodbuy's, opening up 100,000 plus-square-foot stores, is expanding its presence throughout the region.

Hechinger sees record '84 sales; intros whse unit

LANDOVER, Md. — It was a busy year for 45-unit Hechinger.

In addition to posting record sales and earnings, the Landover-based retailer added seven new stores including the introduction of its warehouse prototype called Hechinger DIY Warehouse in Raleigh, N.C., and then won approval from the Securities and Exchange Commission to make a $75 million public offering of convertible subordinated debentures to finance an ambitious, two-year, 20-store expansion program.

This program includes opening new stores, mostly warehouse units, in such new markets as Ohio, western Pennsylvania, Delaware, New Jersey, South Carolina, upstate New York and Long Island. Since that original announcement, Hechinger opened in Columbus, Ohio, and Greensboro, N.C., and announced it will open two stores in Rochester, N.Y.

Also, Hechinger said that it would continue to fill out its existing markets, including its home base, Washington, D.C., and Baltimore, Virginia, North Carolina and central and eastern Pennsylvania.

All totaled, the company's 24-month expansion program will add 60% more selling and storage space, from 3.3 million sq. ft. to 5.3 million sq. ft.

Accompanying this expansion, "The world's most unusual lumberyard," as it has long been known, added a new slogan for in-store advertisements: "There's no place like Hechinger," to better reveal its message in new markets.

The company famous for its fastidious style, finished 1984 with record sales, up 31% to $405.1 million. Earnings also rose substantially, 29% to $20.9 million, or $1.15 per share.

Early in 1984, Hechinger announced it would join retailing giant K mart to create a nationwide chain of DIY warehouse home center stores called The Home Team, but the deal fell apart last May. Instead, Hechinger (and K mart) each opened their own warehouse stores.

Six very profitable reasons

"Right up front, I'll tell you that HWI's pricing gives you the edge on the rest of the guys out there. And lets you be more profitable, too. It's because we've got the lowest overhead in this industry."
Lorraine Haertling
Haertling Hardware
Nashville, Illinois

"You can get 95% of your merchandise on a 'one each' basis from HWI. It's so much simpler that way, and you don't have so much cash tied up in inventory."
Randy Snooks
Choo Choo Supply
Vidalia, Georgia

"HWI stocks everything you'll ever want in hardware and building material products. And all from one source."
Al Uhrig
Stripling-Blake
Lumber Company, Inc.
Austin, Texas

"Seems like HWI just keeps coming out with great new programs. Like the Do-it center® program and the VITAL™ monthly video training program for employees. We're managing our inventory and gross margins better with the IMCS, too."
Charlie Phillips
Phillips Do-it center®
Reedsburg, Wisconsin

"We've been especially happy with HWI's advertising program. It's so flexible. You can just pick and choose what elements you want, and you only pay for what you actually use."
George Rotter
Rotter's Home Center, Inc.
Lower Burrell, Pennsylvania

"We've always had real good service from everybody at HWI. They haven't forgotten what a cooperative's all about."
John W. Crowder
Crowder Brothers Hardware
Palm Harbor, Florida

Six reasons are just the beginning. HWI simply offers you more opportunities for profit than any other organization in the do-it-yourself industry. And that's all the reason in the world to make your move to HWI now.

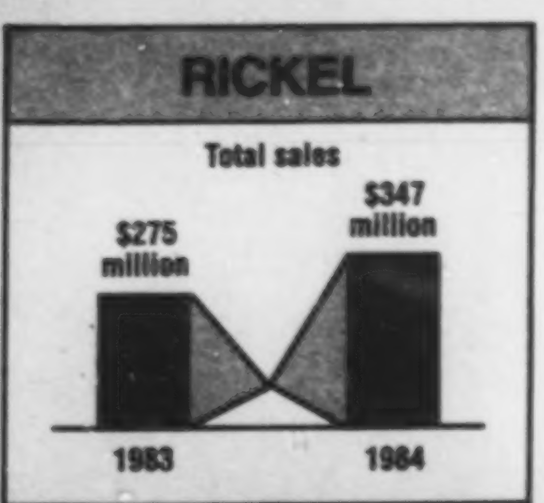
As a buying cooperative, HWI's purpose is to serve its members and make them more profitable. Our overhead is consistently the industry's lowest. Which makes for some pretty spectacular rebate checks at the end of the year.

The HWI name keeps coming up whenever hardware, lumber and building material retailers start talking about programs, too. HWI offers its members innovative, truly exciting programs for almost every area of their operations. From inventory control to employee sales training.

You can see why HWI members get so enthusiastic when talking about their co-op. They know what a great thing they've got going for them. Just one look at their sales figures tells you they're doing things right.

Isn't it about time you put a competitive advantage like HWI behind your business, too? Call Mike McClelland at HWI, 219/749-8531. He'll give you all the reasons you need.

HWI®
the friendly ones



Chuck Davis
Rickel president

Peavey purchase part of Lanoga's rural gameplan

SEATTLE — Lanoga Corp., which operates the United Building Centers, Spenard and Lumbermen's chains, made the assimilation of 23 Peavey retail stores into its UBC division one of its top priorities in 1984.

UBC acquired the building supply units operated by Peavey Co.—a Minneapolis-based subsidiary of ConAgra Inc.—last spring. The Peavey stores strengthen UBC's rural market presence in Minnesota, North Dakota, South Dakota and Wisconsin.

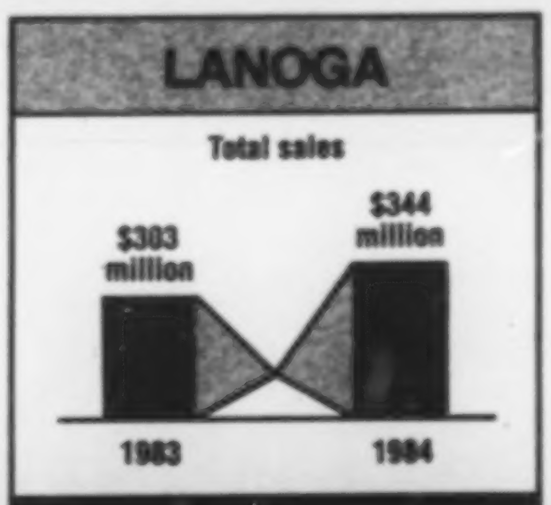
The 23 Peavey stores are estimated to generate about $50 million sales, of which 67% are DIY transactions. Chainwide, Lanoga posted 1984 sales of $344 million, a 14% year-to-year increase. Contractor sales accounted for 60% of the volume.

Lanoga president Ted Tanase said Peavey represents Lanoga's continuing game plan to aggressively expand the chain into "rural areas—where our competition is dropping out."

In Alaska, for example, Lanoga's 11-unit Spenard Building Supply continues to be the dominant building material dealer. Spenard opened a new, 10,000-sq.-ft. built-to-suit in Eagle River in northern Anchorage early in the year.

Lanoga's most consumer-oriented chain is Shelton, Wash.-based Lumbermen's, which opened two new units last year—a 30,000-sq.-ft. outlet in Redmond, Wash., and a 40,000-sq.-ft. facility in Clackamas, Ore. Lumbermen's president, Larry Knudsen, resigned early in the year and his post was slated to be filled by late April. The 15-unit chain is also planning to relocate corporate headquarters to Olympia, Wash.

Tanase noted that among the management additions to the company in 1984 were home center-oriented merchandising experts who are expected to continue the chain's DIY thrust. These include Doug Grover, Spenard's merchandising director, formerly with Menards, Eau Claire, Wis., and Dave Dittmer, merchandising director for Lumbermen's, formerly a district manager for Payless Cashways in Indiana.



Ted Tanase
Lanoga president

Diamond begins retrofit program to snare DIYers

DALLAS — Diamond Lumber is rolling out a chainwide $24 million retrofit program designed to revamp store interiors and merchandise mix to attract more serious DIYers to the predominantly contractor-oriented chain.

The initial five redesigned stores were unveiled in the Sacramento, Calif., area in March. The chain's remaining 91 stores will be redone within three years in a $24 million program.

The impetus for the new look for Diamond occurred in September 1983 when Diamond was acquired by Michigan General. Michigan General has brought abroad a new management team headed by president Jerry Rex.

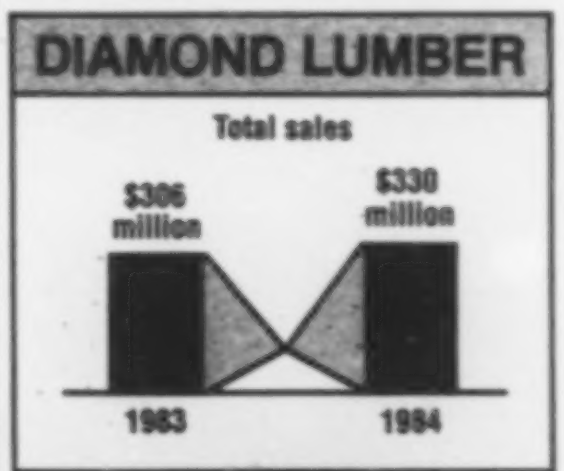
Sales results for 1984 showed an 8% gain in revenues to $330 million. Significantly, consumers were credited with generating 20% of the sales, compared with 15% for the year-earlier. Diamond's eventual goal is to achieve a contractor-consumer ratio of 65 to 35.

DIAMOND
Your Home Investment Center

Meantime, there is some uncertainty about the future of Diamond's parent. Late last year General Felt Industries, Saddle Brook, N.J., bought 219,000 shares of Michigan General, raising its ownership to 16.5%. General Felt is Diamond's largest shareholder and is reportedly interested in purchasing more than 50% of the company's stock eventually.

Michigan General president John Boudreau announced in late March that three directors of General Felt were elected to Michigan General's board, and he said he was "delighted" to have their representation.

For Diamond, the coming months will be occupied with sprucing up existing stores. Five additional stores in California will be remodeled this year followed by a second cluster of stores in Idaho and Washington. The rehab of the stores involves expanding the retail showrooms from an average of 4,000 sq. ft. to 8,000 sq. ft.



Jerry Rex
Diamond Lumber prez

to make the move to HWI.

❶ **Low overhead = more profit for you**
In fiscal 1984, our overhead was a mere 3.90%. Consistently the lowest in the industry. And that translates into the best rebates in the industry.

❷ **No large minimum purchases**
At HWI, 95% of warehouse stock can be purchased in single units. You can buy just as many as you need, not how many somebody else wants to ship you.

❸ **Complete product selection**
HWI warehouses stock your hardware, lumber and building material needs. Each one carries over 35,000 items, and deliver every week.

❹ **Aggressive retail support**
Award-winning programs include the Do-it center® retail marketing program, VITAL™ monthly video employee training, customized inventory and margin control. All designed to build your productivity and profitability.

❺ **Customized advertising programs**
HWI offers you the industry's most flexible advertising program. Professionally-produced sale circulars and newspaper tabloids for hardware and building materials. Create advertising that fits your precise market, geographical and budgetary needs.

❻ **Company philosophy**
We serve others as we would like to be served. That's what a cooperative should do. HWI members get service that's personalized and prompt.

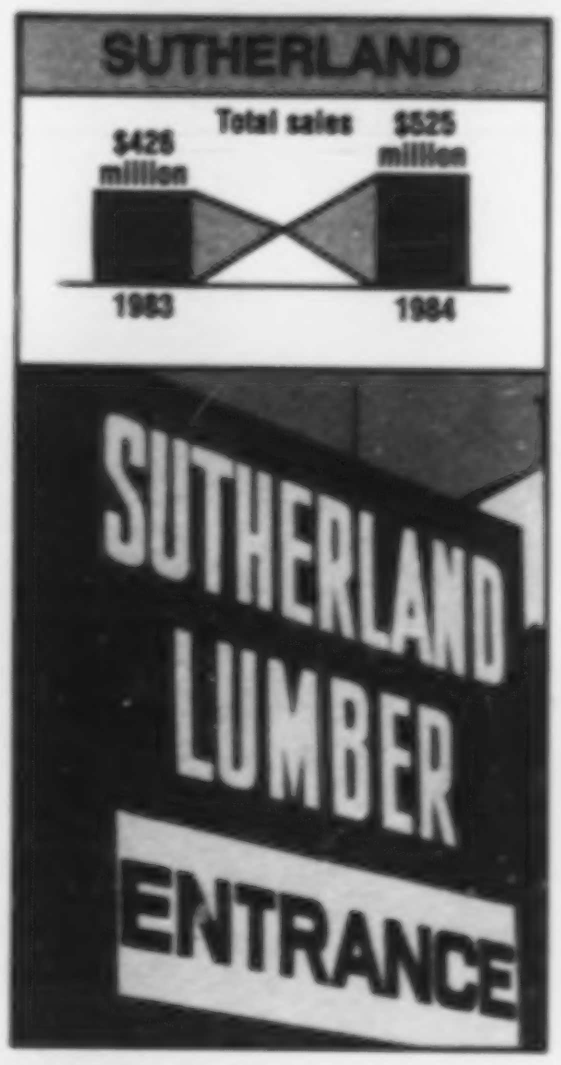
Here's how to find out more about those six reasons.

I'm interested in finding out more about:
☐ Advertising programs
☐ Complete employee/management training
☐ Retail, inventory control and margin control
☐ Retail merchandising programs
☐ Over 35,000 items in warehouse
☐ Largest rebates/lowest overhead
☐ Fast, regularly scheduled deliveries
☐ Do-it center® retail marketing program

We are: ☐ building materials retailer ☐ home center retailer
☐ hardware retailer
☐ Have the HWI area supervisor telephone for an appointment. ☐ Send literature.

Name ____________
Title ____________
Company ____________
Street ____________
City, State, Zip ____________
Telephone ____________

Mail to: Mike McClelland, Vice President of Marketing,
Hardware Wholesalers, Inc.
P.O. Box 868, Fort Wayne, Indiana 46801



Sutherland: Not so traditional anymore.

Sutherland gains fueled by larger sales floor sizes

KANSAS CITY, Mo. — Sutherland Lumber in 1984 began to enjoy the fruits of some of the warehouse-type merchandising concepts it had put in place during the previous 12 months.

The chain moved some $525 million worth of goods out of 85 stores in 1984, compared with $426 million out of 82 stores in 1983.

While the chain's store count increased by 4%, a more modest figure than the 9% increase achieved during 1983, the company's volume increased by 23%, roughly the same as the previous year. The reason lay in the larger show room sizes, and deeper racking systems, put in place at a number of Sutherland units.

Late in 1983, the company had opened the doors of the largest store in its history, a 101,000-sq.-ft. unit dubbed "HouseMart." This had been preceded by yet another Sutherland warehouse venture, this one called "Sutherlands Warehouse Plus" in Tulsa, Okla.

In the disparity of its merchandise presentations within both sets of warehouse operations, Sutherland differs from other warehouse operators who have opened units with coordinated presentations in multiple markets.

A Sutherland spokesman attributed the disparities to a recognition that different markets call for different kinds of retailing. Also, the company is family-owned, with various Sutherlands controlling different groups of stores.

This Sutherland approach to matching stores with markets went a step further in March of 1984, when the company opened its first small specialty hardware store, in Little Rock, Ark., called "Crate Deals."

Sutherland made further moves last year to upgrade its in-store services.

A video kiosk was introduced that offered customers information about merchandise in the store. And, later in the year, the company introduced its own credit card.

Sutherland also took on a new software system which helped management analyze the zip codes of their customers to determine ages, income ranges and house locations. Such information helps the retailer plan both new store locations and advertising strategy.

Consolidation, renovation mark Handyman in 84

SAN DIEGO — Handyman pulled out of its Texas and Oklahoma markets in 1985, shuttering 21 stores, as part of an effort to concentrate on expanding and improving stores in its California, Oregon and Arizona markets.

The chain based here also launched an 11-unit retrofit program with the remodeling of its 54,000-sq.-ft. store in the Kearny Mesa section of San Diego near corporate headquarters. Another 10 stores are slated to be completely changed over to the new format by June.

A single unit in Sacramento, Calif., was also closed in June, meaning that Handyman ended the calendar year with 55 stores, a drop from the 77 units opened at year-end 1983. The store closures, however, didn't affect the chain's sales volume, which rose 13% to $270 million.

Handyman, a division of Edison Brothers based in St. Louis, is a 100% DIY chain with stores that average 40,000 sq. ft. in size and contain about 25,000 stock keeping units.

The future direction of the chain is to concentrate on its Western U.S. units. Company officials are not revealing how many new units they plan to add this year. Nor have they said if they will remodel every store in the chain to fit the Kearny Mesa prototype, which is Handyman's response to the warehouse home center concept.

The Kearny Mesa unit features an expanded building materials department, new warehouse steel racks and heightened gondolas. A race track loop configuration guides customers through the store, which has wider aisles to accommodate forklifts.

HANDYMAN
Total sales
$240 million
$270 million
1983
1984

Harvey Rosen
Handyman president

Pay 'N Pak still enamored with warehouse style

KENT, Wash. — Pay 'N Pak continues to stake its future on the warehouse format.

So far the chain has converted 18 stores to the new warehouse format and during the next two years the company plans to construct or convert 25 to 30 more stores to the format.

Specifically, Pay 'N Pak this fall is planning to open two new stores in the San Francisco Bay Area. Last year, Pay 'N Pak opened a single new unit—the highly successful 81,000-sq.-ft. Home Improvement Warehouse Outlet in Honolulu, which debuted last May 24 and reaped $1 million in opening-week sales.

Fiscal 1984 was not totally positive, however. In its fourth

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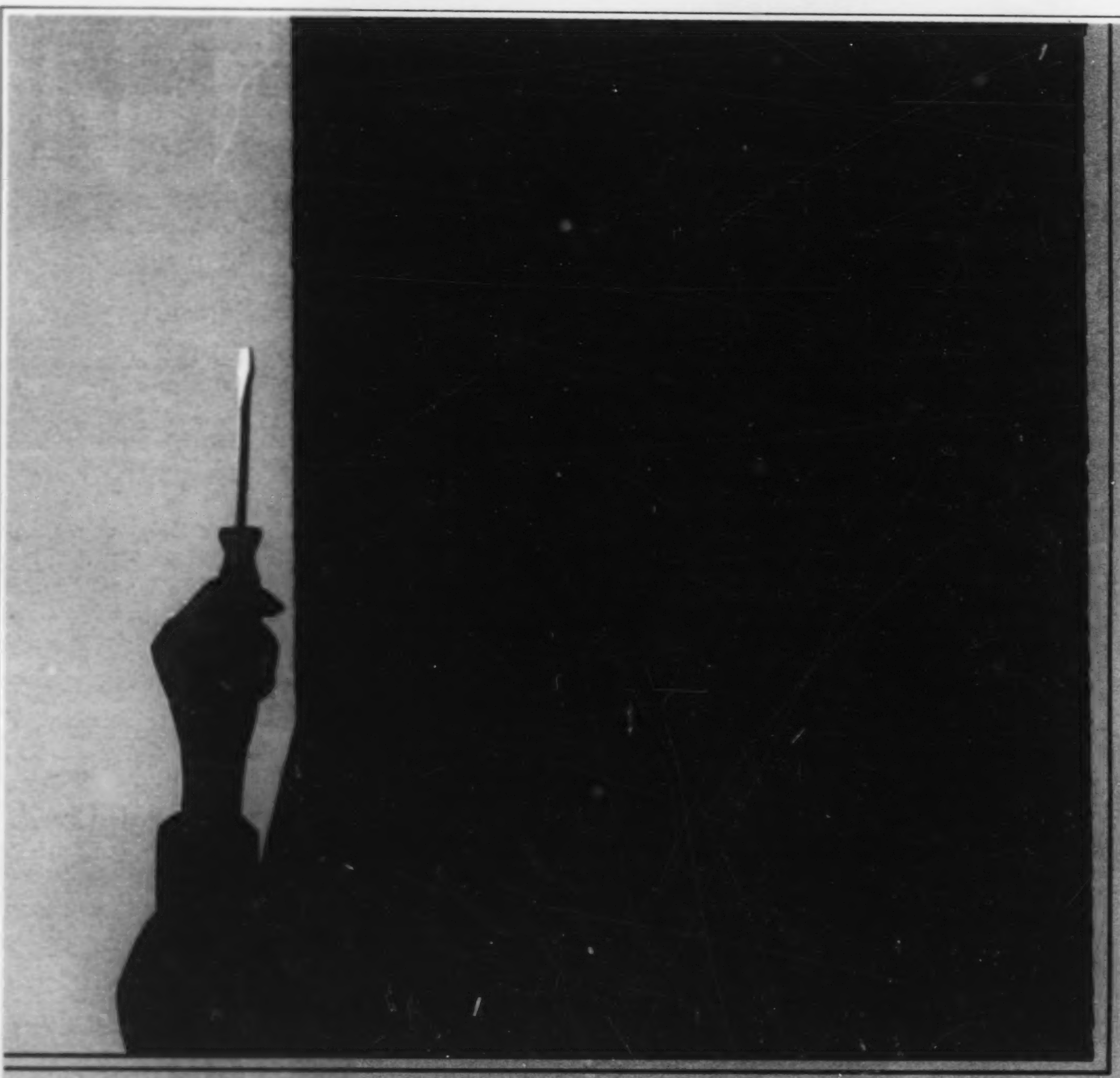

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Fashion Pleated Blind

We work hard to make your customers happy.

We make it easy for people to buy Clopay.

With high fashion packaging that communicates quality, features and benefits.

We make it easy for people to install Clopay.

With products and instructions that have been successfully pretested with consumers.

We make it easy for people to call us for assistance or information.

With a toll-free 800 number.

We make it easy for people to know about Clopay products.

With advertising in leading consumer magazines and on TV.

We work hard to make customers happy. Because happy customers mean repeat business for you.

Clopay
Install with confidence.
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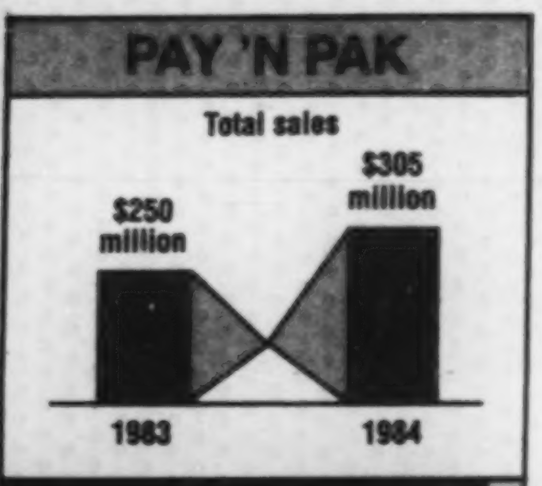
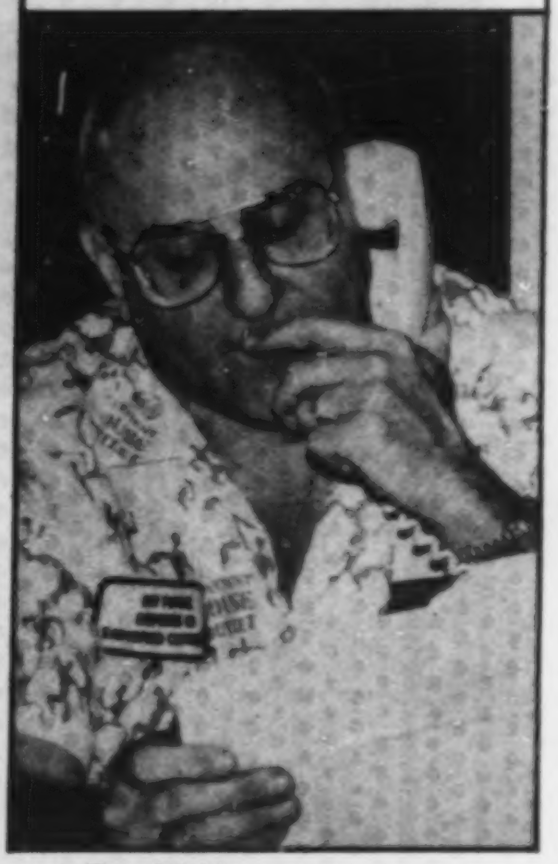




David Heerensperger
Pay 'N Pak chairman

Menard's sales rise amid spate of knockoff suits

EAU CLAIRE, Wis. — Activity at Menard's last year was not confined to operations and merchandising.

The 24-unit company put much of its efforts in 1984 behind the aggressive promotion of its three stores in Milwaukee, two of which having been opened in December 1983.

But Menard's also became entangled in a lawsuit alleging that the chain was selling counterfeit goods. In August, Menard's, along with a Taiwaness distributor and Chicago-based importer, were named in a suit filed by U.S. Brass which claimed these three companies were engaged in the distribution or sale of illegal knockoffs of its "Aqua Line" brand faucets.

On Aug. 23, a judge in the Northern District of Illinois entered a preliminary injunction barring these plaintiffs from sale of these import faucets. All three parties consented to the injunction without a hearing, though the suit was still pending as of this April.

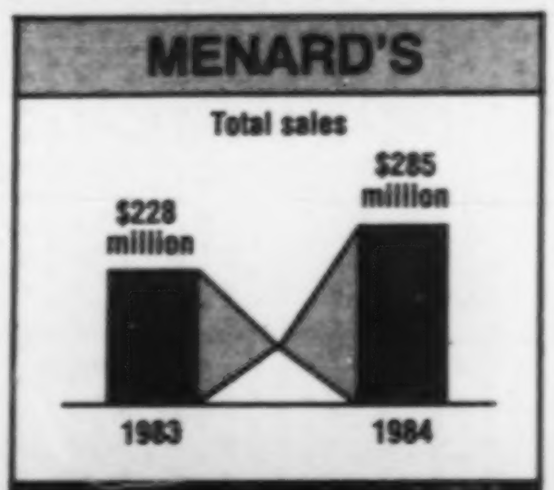
Menard's, which in 1983 was found guilty of selling counterfeit airless paint sprayers, which were knockoffs of Wager SprayTech products, contends its buyers were not fully cognizant of the faucet brand name they purchased. "It is not our intention to violate any manufacturer's trademark," said Warren Johnson, an attorney for Menard's.

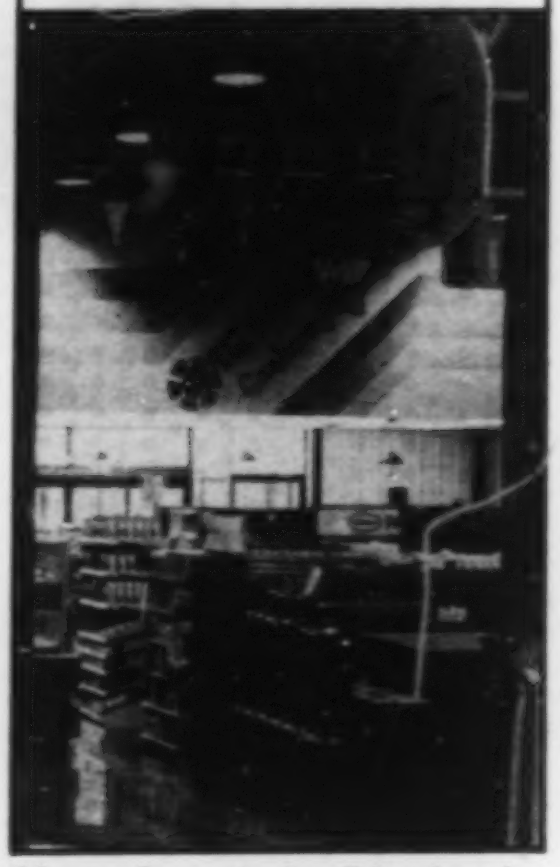
(Earlier this year, Menard's was named again in a lawsuit, filed by Hirsh Co., which alleged it was selling counterfeit workbenches infringing on Hirsh's products.)

These litigious distractions did not appear to adversely impact Menard's business last year, though, as its sales, by *NHCN* estimates, rose 25% to $285 million, of which 85% came from DIY purchases.

Menard's came into the Milwaukee market this year like a tornado, blitzing the market with television, newspaper and radio ads consumers in this market had not been subject to before.

Between June and September, the chain spent $100,000 on TV ads in this market.





Menard's netted solid sales despite courtroom distractions.

Trump takeover puts brakes on Ernst remodel

SEATTLE — Ernst Home Centers began 1984 by launching an ambitious chainwide remodeling effort but stopped the retrofit program in the wake of parent Pay 'n Save Corp.'s conversion to private ownership in September.

Boldly billed in January of 1984 as a major, two and a half year remodeling project to refurbish every store in the chain, the revamp plan was put on the back burner after only a handful of stores were completed.

Ernst officials managed to open their 70th outlet in 1984, a 34,000-sq.-ft. store in Spanaway, Wash., which, although not a warehouse store, borrowed a number of concepts from warehouse retailing to create the atmosphere of more promotional, discount-oriented outlets.

Overall, Ernst last year was in the process of a major strategic shift away from consumer product-oriented retailing to-

(Continued on page 90)

Pay 'N Pak still enamored with warehouse style

(Continued from page 85)

quarter, income dropped 46% on a 15% sales increase. For the full year, earnings were $10.1 million, a 1% gain, on a 22% year-to-year sales increase to $305.1 million.

Chairman and ceo David Heerensperger, discussing the results, reported that "Our business has been changing in the past three or four years because of the introduction of the 'low price, no frills' warehouse concept of merchandising. This has intensified competition with resultant lower margins due to pricing and increased advertising costs." In March, Pay 'N Pak closed a store in Seattle.

Also contributing to Pay 'N Pak's woes, Heerensperger reported, was the lower inflation rate, which brought about some inventory deflation. Pay 'N Pak took substantial write-downs on the cost of its inventory in the last half of 1984.

But for the future, Heerensperger said he does "not look for anything other than modest adjustments" in the inventory carrying costs. "Pay 'N Pak is in fine financial shape to handle the vigorous expansion planned by its management and looks forward to reporting gradually improving profits during the coming year," he reported.

On the personnel side of the business, Pay 'N Pak directors named Marshall J. Weigel vice chairman of the company. The appointment was announced last April. Weigel, 64, had been a member of the board for 14 years and is president of Merchandising Factors Inc., a real estate investment company based in San Francisco.

Read

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National Home Center News

TRADE-UPS. MARGINS. QUALITY. THAT'S WHY PAYLESS CASHWAYS & CAREFREE FAUCETS ARE A SUCCESSFUL PARTNERSHIP.

(From left) Jim Woulf, senior vice president, sales and marketing, Universal-Rundle; vice president-merchandising John Breedlove and president David Stanley, Payless Cashways.

Faucets are one of Payless Cashways' fastest growing product categories.

"CareFree Faucets have been more successful for us than other faucet lines," explains Payless president David Stanley, "for a number of reasons."

"CareFree has an excellent sell-up program. Their complete line lets our customers trade themselves up to higher-priced faucets because the line is so logical and uncomplicated. Plus, the increased benefits of the sell-up products are easily recognized."

CareFree Works For Our Customers

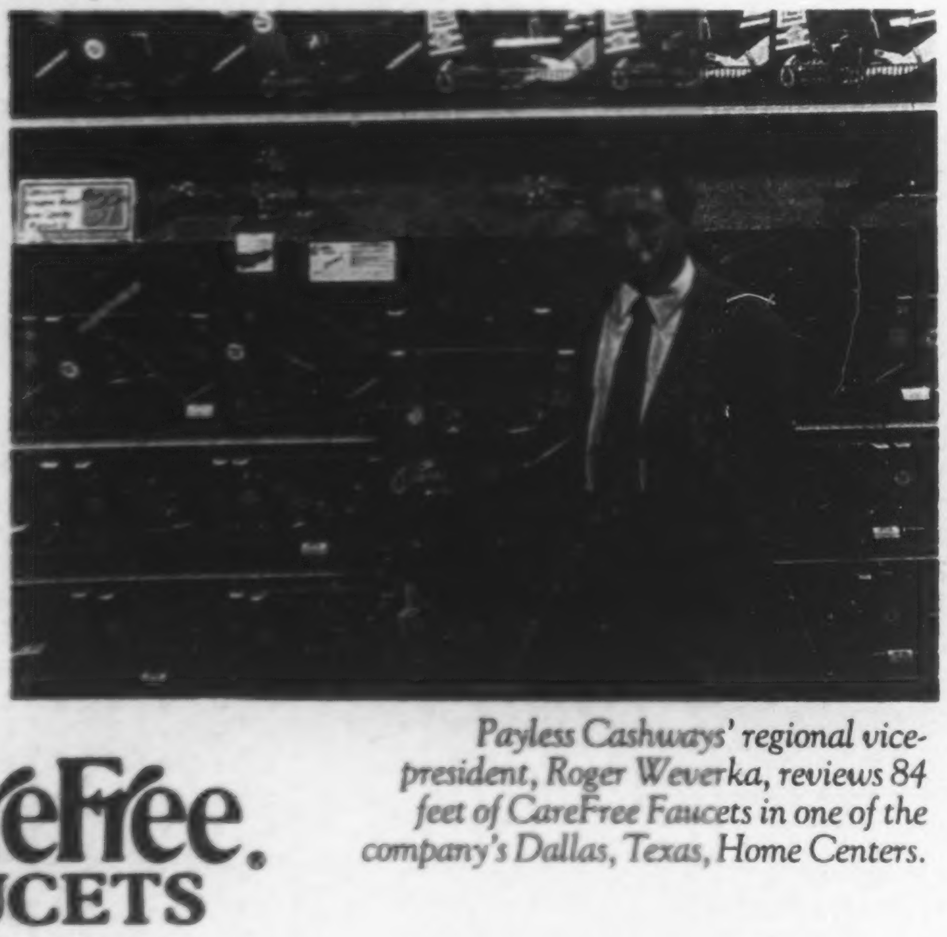
"Our customers find the CareFree Faucet line easy to understand and to trade up with," Stanley continued. "We feature CareFree Faucets in our home centers because of the rich product mix they provide us and their consistent high quality."

An Excellent Sell-up Program

"One of the key elements of our success at Payless Cashways is our ability to buy the right product lines for our markets and customers," adds merchandising vice president John Breedlove.

The Bottom Line

"We like the improved margins and inventory turns we're getting with CareFree," said Stanley. "Through our combined efforts and partnership with CareFree, faucets have become a very profitable part of our business."



Payless Cashways' regional vice-president, Roger Weverka, reviews 84 feet of CareFree Faucets in one of the company's Dallas, Texas, Home Centers.

CareFree. FAUCETS

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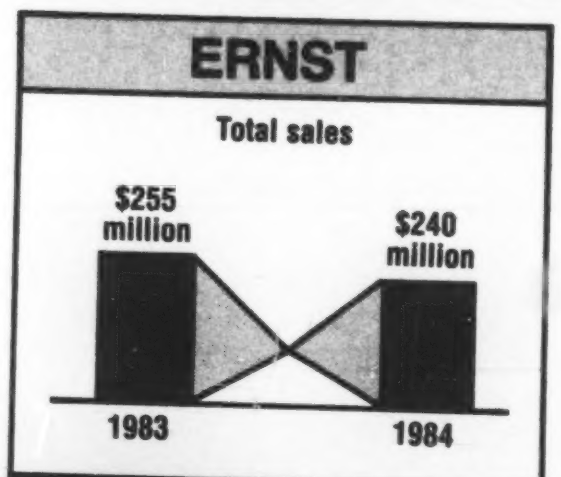

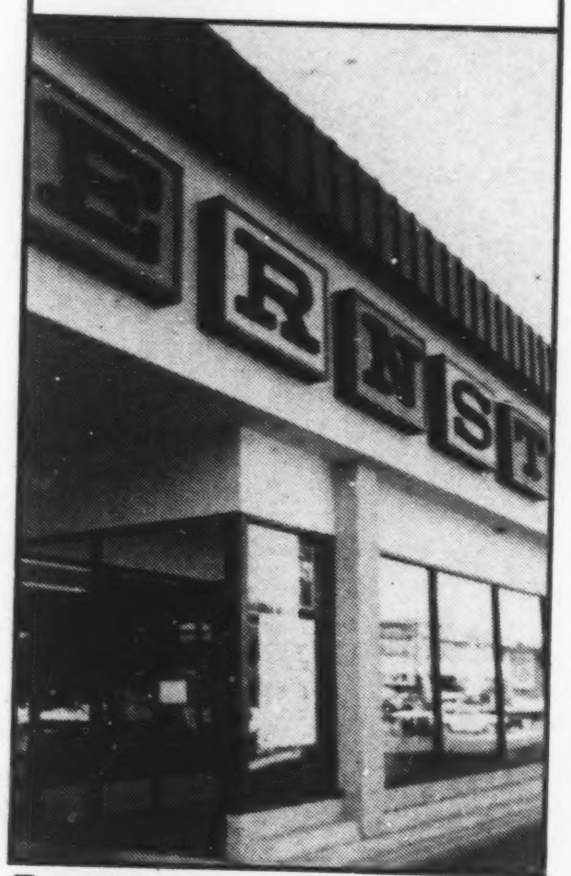

Ernst's remodeling program stalled under new ownership.

Trump takeover puts brakes on Ernst remodel

(Continued from page 89)

ward a big-ticket, project approach. Then, in September, The Trump Group, a New York-based financial and business concern, orchestrated Pay 'n Save's takeover.

Subsequently, Ernst has re-evaluated its store design goals, and, earlier this year, consulted with Atlanta design firm Miller/Zell. Meantime, the corporate chain-of-command was changed and executive responsibilities—including those of Bill Boston, a vice president and general manager of Ernst —were altered.

Early in 1985 Michael Rouleau, a former Minneapolis-based Dayton Hudson executive, was named to the newly created post of Ernst president. Boston was named assistant to the president.

The change in management was apparently prompted by Ernst's less-than-satisfactory performance in 1984. A prospectus issued last fall on the Trump leveraged buy-out plan forecast Ernst's 1984 sales of $316.8 million and earnings of $4.6 million, a 58.2% decline. Actual year-end results were $240 million.

Trade sources report that Ernst has had difficulty defining its retailing mission in recent years. They note that in 1983, Ernst phased out its high-margin sporting goods departments, contributing to the chain's overall drop in margins and earnings potential.

Last summer, however, Ernst brought aboard Mack DuBose as merchandising director. DuBose formerly was a regional manager with the W. R. Grace home center division and was expected to contribute to Ernst's growing emphasis on commodities and building materials.

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New consumer emphasis boosts West's volume

ATLANTA — Fueled by an aggressive advertising program and the remerchandising of some of its stores, West Building Supplies enjoyed an increase in volume of 24% in 1984. Volume for the year was $245 million, positioning the chain at the No. 19 spot on the *NHCN* top 100 chart.

Consumer sales accounted for a good portion of the increase enjoyed by this chain, which has traditionally been a stronghold for contractor sales. Sales to do it yourselfers increased by 42%, to a level of $98 million, last year.

West set the stage for a chainwide remerchandising program with the opening of a warehouse type home center in Athens, Ga., in late 1983. The chain studied results of that first effort, and, in March of 1984, opened new entries in its "superstore" concept in Home, La., and Jonesboro, Ga.

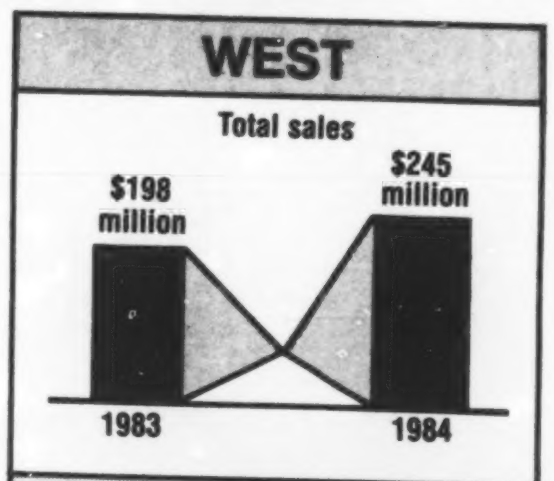
The Jonesboro store provided a degree of insight into the future direction for this 92-year-old company. For the first time, lumber and building materials were displayed under roof. Some 20% of the showroom space, and all of an adjacent 15,000-sq.-ft. backup warehouse area, was devoted to commodities.

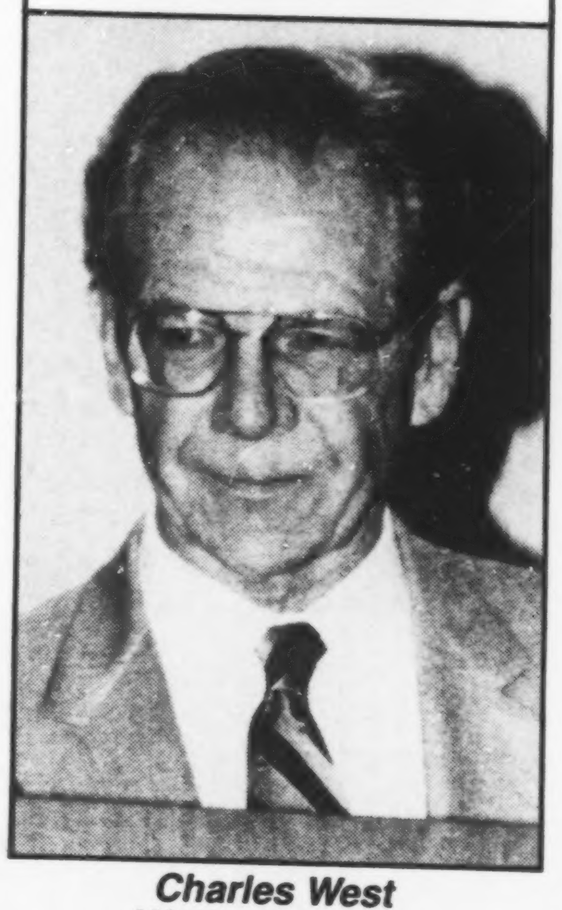
The Jonesboro unit, also, was the first to have a full-blown lawn and garden department, which the chain plans to roll out to all of its units.

The chain, which converted a half dozen of its units to the "superstore" concept by the end of 1984, and plans to convert another half dozen annually, also took steps to centralize control last year, over its units where, traditionally, the store manager had a great degree of autonomy.

Planograms have been developed, and store managers must now obtain approval for new lines of merchandise.

Tighter family control of the chain was evident in the summer of 1984, when long-time president Ed Plemons was ousted from his position and a triumverate consisting of Mark West and senior product line managers Bob White and Bill Godwin temporarily assumed his duties.





Charles West
West's chairman

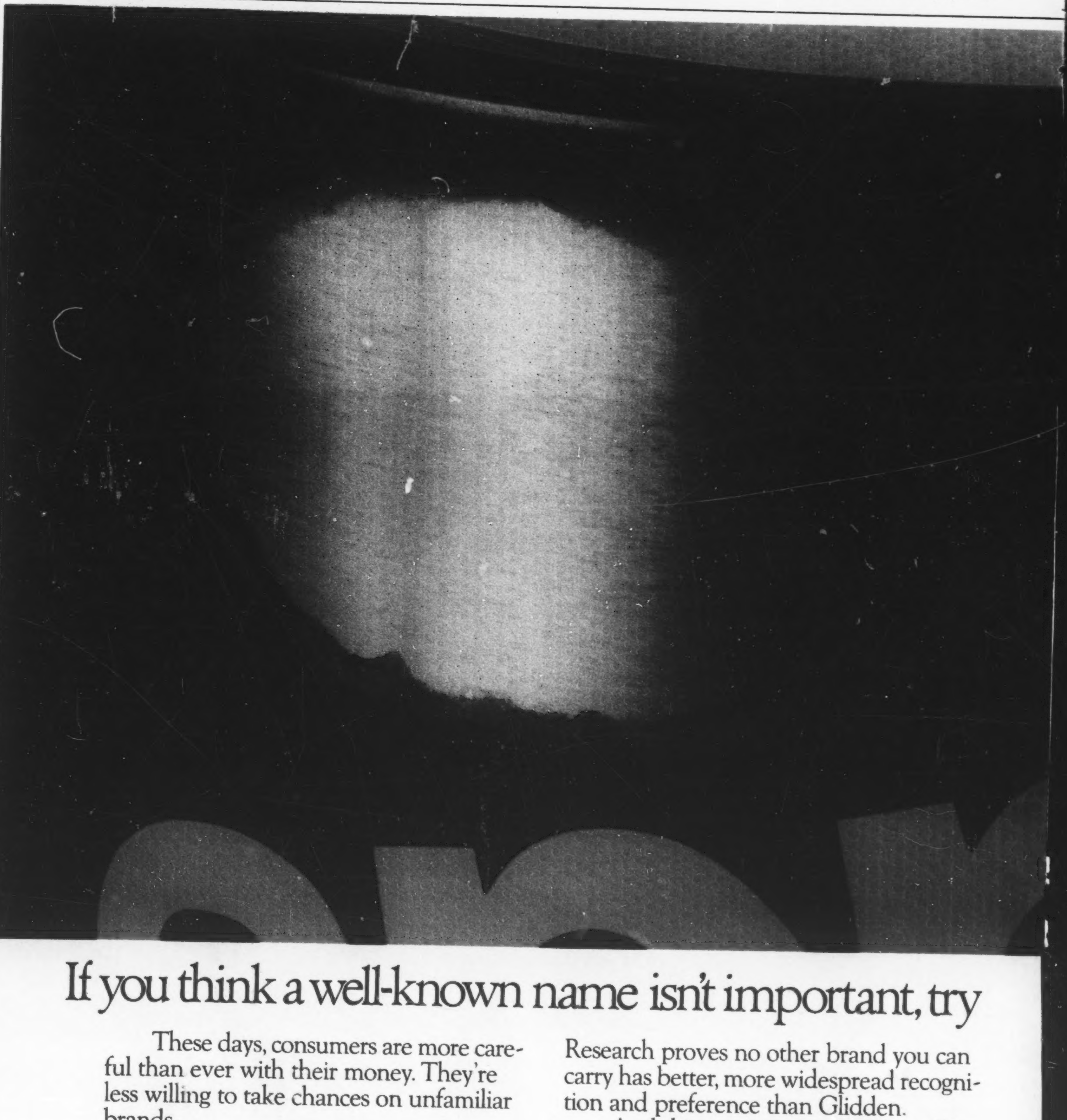
30-unit Central positioned for whse growth

BRIDGETON, Mo. — Central Hardware, the $230 million chain of 30 stores, spent 1984 remerchandising many of its older stores with deeper warehouse racking and a greater emphasis on commodities, in preparation for a more aggressive store opening program in 1985.

The company sent the strongest signal concerning its future commitment to the warehouse format in March 1984 with the opening of a 60,000-sq.-ft. unit in Indianapolis. This store, according to company officials, would serve as a prototype for future Central Hardware units.

Over the summer, the chain launched a store renovation program that began with its unit in South St. Louis County. By the end of the year, the company renovated roughly half of its stores, including all of its Memphis and Indianapolis units, three of the 10 St. Louis operations, two of the four Columbus units, and several Cin-

(Continued on page 91)



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30-unit Central positioned for whse growth

(Continued from page 90)

cinnati units.

Where store size permitted, interior renovations included not only the replacement of gondolas with pallet, or H-frame, racking, but also expansion of the lumber department into roughly a fourth of the available space, in a move to project an image that includes commodities as well as the chain's traditional hardware.

When parent company Interco issued its annual report in the spring of 1984, it stated that Central would eliminate all of its stockrooms and convert the entire available space to selling area, in all of its stores.

In some cases, the company has taken temporary steps in reaction to new competitive forces, until more involved renovations can be undertaken. For example, in Memphis the company installed warehouse racking, and removed televisions, appliances and sporting goods in its four stores. The previous fall, Homecrafters Warehouse had entered that city, traditionally Central country, with three 76,000-sq.-ft. stores.

With a firmer foothold on its markets achieved from the remerchandising, Central took steps early in 1985 to move ahead with its expansion program. One 60,000-sq.-ft. store was opened in St. Peters, Mo., and another shortly thereafter in the Cincinnati suburb of Delhi, Ohio.

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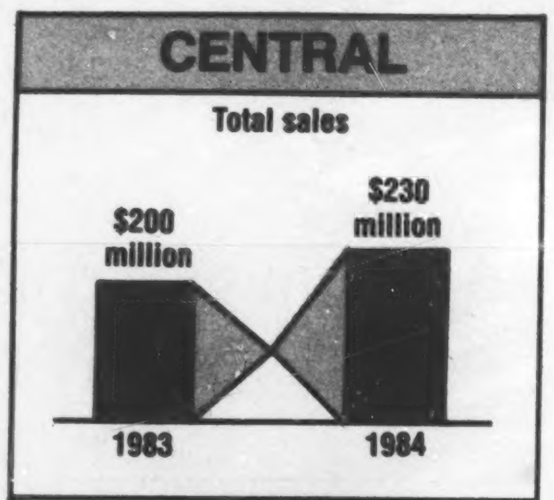
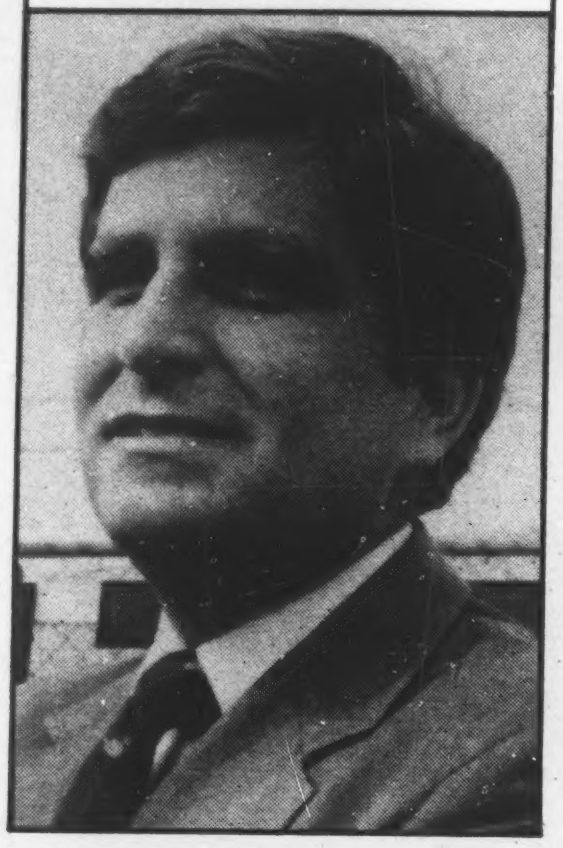
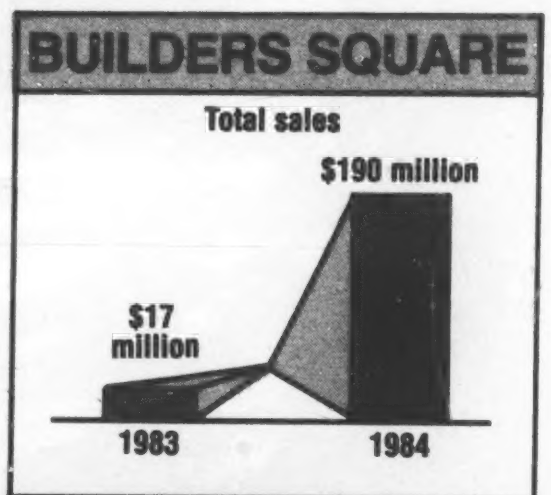
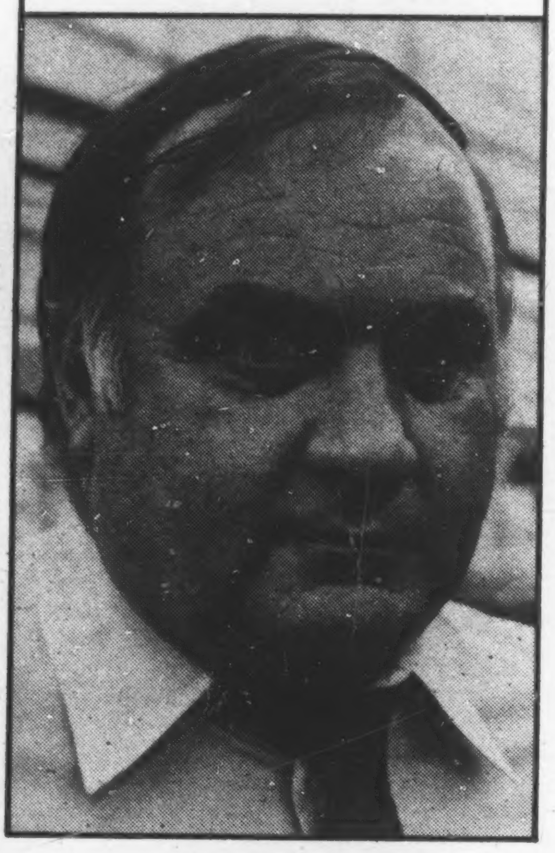




Jim Cohen
Central's president





Frank Denny
Builders Sq. chairman

K mart setting fast growth for Builders Square

SAN ANTONIO — Founded in early 1983 as Home Centers of America and redubbed Builders Square last fall after K mart's acquisition of the then-nine-unit chain, Builders Square is living up to founder Frank Denny's desire for explosive growth.

Sales volume alone jumped to $190 million from $17 million and the unit count tripled from five warehouses to 15 at year-end. An additional 28 units are set to open by the end of 1985 with new markets in Detroit and Los Angeles being targeted as well as additional units in the already settled Illinois and Texas markets.

This amazing expansion pace was fueled by the June 29, 1984, agreement in which K mart paid $11 per share, or approximately $90 million, for Denny's company.

K mart chairman Bernard Fauber later said "We did pay too much for it," referring to Home Centers of America, but he added that there have been no regrets.

K mart, enamored with discount warehouse home center retailing, had attempted a short-lived joint venture with Hechinger Co. earlier in 1984. There was a difference of opinion between the discounter and the Landover, Md.-based home center chain over how a new warehouse entity should be run, and the marriage was called off.

K mart and Home Centers of America, by contrast, hit it off. Less than a month following the actual merger Sept. 26, three, 90,000-sq.-ft. warehouse stores opened in Niles, Elmhurst and Oaklawn, Ill. The stores were called Builders Square.

Before the K mart deal, Home Centers of America had been in the process of changing its store names to Home Warehouse after its original Home-Pro Warehouse name was eliminated to settle a trademark infringement suit.

Following the Chicago-area Builders Square debut, two build-to-suits opened in Houston and a single unit—an ex-K mart—debuted in Tulsa, Okla., all three in November, raising the year-end store count to 15. (Builders Square also has units in San Antonio [four], and one each in the Texas cities of Corpus Christi and Lubbock.) The prototype store is 85,000 sq. ft. but stores range from 65,000 sq. ft. to more than 100,000 sq. ft. Targeted sales volumes at mature stores is in the $17 million to $18 million range.

K mart is using Builders Square as its vehicle for becoming the country's largest warehouse home center operator by 1990. Fauber says there will be at least 125 Builders Squares by the end of the decade.

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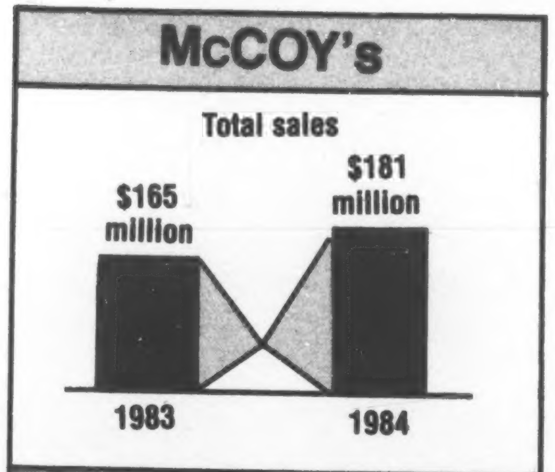

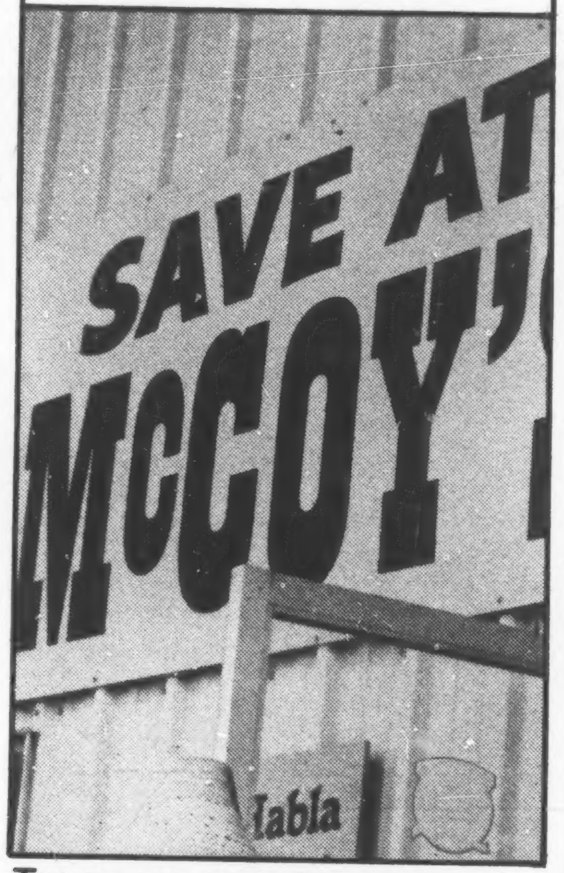

Texas economic stagnation slowed McCoy's growth.

Competition dents McCoy's sales growth

SAN MARCOS, Tex. — Impacted by increased competition in its markets and an overall slowdown in the state's economy and population growth, 58-store McCoy's Building Supply Centers here enjoyed only modest sales gains in 1984.

The company's revenues totaled $181 million last year, a 10% increase over the previous 12 months. McCoy's officials found the chain's stores up against stiffer challenges in 1984, particularly in San Antonio and Houston, where the chain competes against the likes of Handy Dan, Builders Square, Home Depot, Walker-Kurth and a host of other companies.

However, this did not deter McCoy's from continuing its expansion, which began in 1978 when it was only a 20-unit operation. The company opened eight new stores in 1984, most of them 15,000 sq. ft., with 9,300-sq.-ft. warehouses and adjoining outdoor lumberyards.

The company intends to open another eight units this year, which, according to comapny vice president Dennis McCoy, will all be about the size of last year's prototype, and be located in the state of Texas

McCoy's also took steps last year to improve its older, smaller units, as 46 of its stores were completely remodeled in 1984. Generally, this meant repositioning the unit's service counter, and running a center aisle through the store. Prior to the remodeling, the stores usually had two aisles running down each side.

McCoy could not estimate how much this remodeling cost the company, as the extent to which each store was changed varied depending on its size and age.

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Warehouse units are linchpin in Pergament plan

MELVILLE, N.Y. — Pergament Home Centers took the plunge into warehouse retailing last year, converting five smaller stores to the larger, bulk-goods merchandising concept. The 42-store chain that generated approximately $180 million in sales in 1984 (up 13%) recently opened a sixth warehouse-conversion (in Staten Island, N.Y.); plans on having nine warehouse units by the end of the year, and expects to add at least three more in 1986.

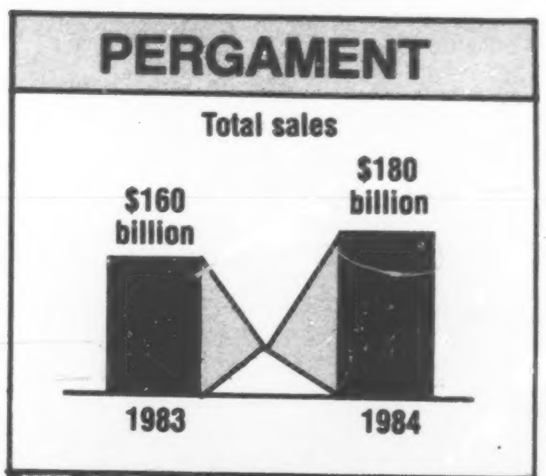
This uncharacteristically heated expansion pace—the company has shown a net gain of just two stores since 1980, based on the *NHCN* industry census of that year—was perhaps nudged by the specter of new warehouse competition in Pergament's home market. In 1983, Grossman's converted three of its Long Island stores to a warehouse format similar to its California Grossman's Building Materials Outlets, but smaller. With the New York Metropolitan Area providing fertile ground for possible expansion for established warehouse operations, such as K mart's Builders Square and Service Merchandise's Mr. HOW Warehouse, Pergament perhaps felt it necessary to nail down sites in a market where attractive and affordable real estate is hard to come by.

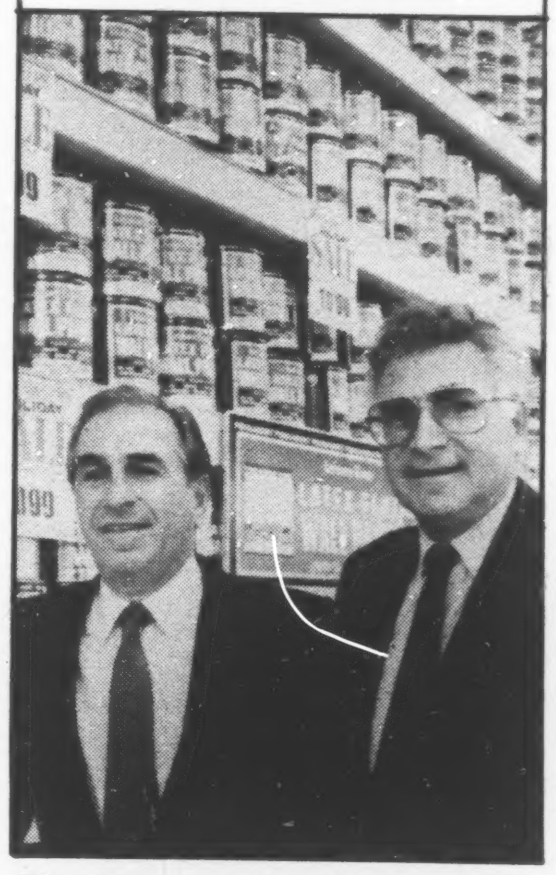
The Pergament warehouse outlets, modeled after a prototype unit opened in December along the Queens-Nassau County border line, range in size from 50,000 to 72,000 sq. ft. The average sales floor at the chain's more traditional units is just 25,000 sq. ft.

The chain's expansion will not take place beyond its current New York, Long Island, northern New Jersey and Connecticut markets, according to Pergament vp/gm Martin Pepkin. All future stores will be of the warehouse variety, noted Pepkin.

"We've been in the Long Island market for 50 years. We're the dominant name here in our business," said president Murray Pergament.

It appears that in 1985 warehouse retailing will be the main feature in Pergament's strategy to maintain that position.





The Pergaments: ***Murray*** *(left) and* ***Robert.***

Forest City girds in Chicago for whse attack

CLEVELAND — Attempting to firm up its position in the Chicago market, Forest City spent most of 1984 remerchandising its three units there into warehouse configurations, as well as opening two additional warehouses.

Ultimately, the concentrated effort to bolster its position against the onslaught of K mart's Builder's Square and Service Merchandise's Mr. HOW Warehouse proved unsuccessful, and Forest City pulled out of the market in early 1985. Its five warehouse home centers in Chicago were sold to Mr. HOW.

Despite this frustrating effort, company volume for the chain grew by some 25% during 1984, reaching $160 million for the year. Nearly all of the company's sales are made to consumers. The company ranks 25th on the *NHCN* top 100 chart.

The story of Forest City's bold strategy in the Chicago

(Continued on page 96)

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